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ABSTRACT

As part of a series of hearings on the reauthorization of the Higher Education Act of 1965, testimony was heard on the Pell Grant program, the largest student grant program. Witnesses from all sectors of the postsecondary education system offered suggestions for program changes. The witnesses included the following: Robert L. Albright, representing the United Negro College Fund; David H. Barton of Coastal Training Institute Automeca Technical College; Dennis Brown of El Paso Community College; G. Barry Busada, Diesel Driving Academy, Inc.; Ronald D. Coleman, U.S. Representative from Texas; Michael Farrell, Acting Assistant Secretary for Postsecondary Education; Stephen B. Friedheim, for the National Association of Trade and Technical Schools; Keith Geiger of the National Education Association; the Honorable Paul B. Henry, U.S. Representative from Michigan; Edward A. Malloy of the University of Notre Dame; Dallas Martin of the National Association of Student Financial Aid Administrators; Larry E. Matejka of the National Council of Higher Education Loan Program; David Mertes of California Community Colleges; Charles B. Saunders of the American Council on Education, and Julius Watson-Davis of the U.S. Student Association. Also included are extensive prepared statements, letters, and supplemental materials. (JB)

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HEARINGS ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965: PELL GRANTS

HEARINGS

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

HEARINGS HELD IN WASHINGTON, DC, JUNE 4 AND 5, 1991

Serial No. 102-34

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HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

TUESDAY, JUNE 4, 1991

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:55 a.m., Room 2275, Rayburn House Office Building, Hon. William D. Ford [Chairman] presiding.

Members present: Representatives Ford, Hayes, Sawyer, Payne, Andrews, Jefferson, Reed, Roemer, Kildee, Coleman, Petri, and Barrett.

Staff present: Thomas Wolanin, staff director; Jack Jennings, education counsel; Maureen Long, legislative associate/clerk; Gloria Gray-Watson, administrative assistant; Jo-Marie St. Martin, minority education counsel; Beth Buehlmann, minority education coordinator; and Rose DiNapoli, minority professional staff member.

Mr. Reed. [presiding] Good morning. Mr. Ford has asked me to convene this hearing. I am very pleased to do so.

This is the 16th hearing in a series of 44 on the Reauthorization of the Higher Education Act.

Today is our first of two hearings on the Pell Grant Program. The Pell Grant program is the Foundation Program for Federal and financial assistance. This is the largest student grant program, receiving $5.38 billion in funding during this fiscal year.

The Pell Grant program provides needs-based assistance to low-income undergraduates to attend the institution of their choice. For this coming academic year, 3.4 million students will receive Pell Grants of up to $2,400 to help them pursue their education goals.

The witnesses before us today represent all sectors of postsecondary education—presidents of institutions, students, teachers, financial aid administrators, even guaranty agencies—all with suggestions for changes in the Pell Grant Program. I am also pleased to welcome Michael Farrell, the Acting Assistant Secretary for Postsecondary Education to present the administration's position on the Pell Grant Program.

I look forward to hearing the comment and suggestions of our witnesses for ways to improve the foundation program for Federal student assistance.

[The prepared statements of Hon. William D. Ford and Hon. Joseph M. Gaydos follow:]

OPENING STATEMENT

THE HONORABLE WILLIAM D. FORD

OF MICHIGAN

TUESDAY, JUNE 4, 1991

I AM PLEASED TO CONVENE THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION FOR THIS 16TH HEARING IN A SERIES OF 44 ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT.

TODAY IS OUR FIRST OF TWO HEARINGS ON THE PELL GRANT PROGRAM, THE FOUNDATION PROGRAM FOR FEDERAL STUDENT FINANCIAL ASSISTANCE THIS IS THE LARGEST STUDENT GRANT PROGRAM, RECEIVING $5.38 BILLION IN FUNDING DURING THIS FISCAL YEAR.

THE PELL GRANT PROGRAM PROVIDES NEED-BASED ASSISTANCE TO LOW-INCOME UNDERGRADUATES TO ATTEND THE INSTITUTION OF THEIR CHOICE. FOR THIS COMING ACADEMIC YEAR, 3.4 MILLION STUDENTS WILL RECEIVE PELL GRANTS OF UP TO $2400 TO HELP THEM PURSUE THEIR EDUCATION GOALS.

THE WITNESSES BEFORE US TODAY REPRESENT ALL SECTORS OF POSTSECONDARY EDUCATION – PRESIDENTS OF INSTITUTIONS, STUDENTS, TEACHERS, FINANCIAL AID ADMINISTRATORS, EVEN GUARANTY AGENCIES – ALL WITH SUGGESTIONS FOR CHANGES IN THE PELL GRANT PROGRAM. I AM ALSO PLEASED TO WELCOME MICHAEL FARRELL, THE ACTING ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION TO PRESENT THE ADMINISTRATION'S POSITION ON THE PELL GRANT PROGRAM.

I LOOK FORWARD TO HEARING THE COMMENTS AND SUGGESTIONS OF OUR WITNESSES FOR WAYS TO IMPROVE THE FOUNDATION PROGRAM FOR FEDERAL STUDENT ASSISTANCE.

Opening Statement
Joseph M. Gaydos
June 4, 1991
Postsecondary Education Hearing

The student assistance programs in the Higher Education Act of 1965 were designed to foster access to and choice of educational programs regardless of a student's financial circumstances.

Originally this was to be accomplished by providing grants to the lowest income students and providing loans to students who were not in the lowest income categories but still needed assistance to realize their educational dreams.

While this system has, for the most part, been hugely successful, there has been increasing concern over the past several years about students accumulating excessive debt burdens.

Today, even the most needy students have been forced to take out loans to finance their educational dreams because Pell grants have lost the buying power they once held. As tuitions increased at a rate far above that of inflation, student assistance appropriations were unable to even keep pace with inflation.

Of all students receiving federal assistance during the 1989-1990 school year -- almost three percent of those students with family incomes less than $12,000 received only loans according to preliminary data from the Department of Education. An additional 34 percent of these low income students received a combination of grants and loans.

For those students in this same income category who received grants but still had to borrow, almost 59 percent of them borrowed more than $2,000 and more than ten percent of these had to borrow more than $3,000.

Using conservative estimates, these students will owe at least $8,000 and many will owe more than $12,000 over the course of a four-year program.

The debt burden for middle income students is even greater because fewer middle income students qualify for grants, and, when they do qualify, they receive smaller awards.

There are many issues that must be dealt with during this reauthorization of the Higher Education Act. But this issue should be at the top of the list if we, as a nation, are to continue to pride ourselves on having an educational system that is accessible regardless of a student's economic situation.

Mr. **Reed**. At this time, I would like to recognize Mr. Farrell for his statement.

Mr. Farrell.

STATEMENT OF MICHAEL FARRELL, ACTING ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION, U.S. DEPARTMENT OF EDUCATION, WASHINGTON, DC

Mr. **Farrell**. Thank you, Mr. Chairman and members of the committee. I appreciate this first opportunity to come before you to testify on behalf of the administration's plan for reauthorizing the Higher Education Act.

I hope our proposals will contribute to the complete review which you, Mr. Chairman and the members of the committee, have planned during the reauthorization. The Secretary has previously indicated his desire to reexamine policies that the Department put forward particularly the minimum academic achievement requirement. In addition, we are examining a variety of ways to strengthen the eligibility for a "gatekeeping" system.

I want to begin by putting our Pell Grant proposals in the context of our plan designed to help achieve our national educational goals. These goals include by the year 2000, every adult American will be literate, possess the knowledge and skills necessary to compete in a global economy. A critical objective related to this goal is to increase completion rates for the disadvantaged students. The drive for higher education improvement is limited at the Federal level, will provide—and by the necessarily disciplined proposed by the 1990 budget summit agreement.

Another important goal of our plan is to restore integrity in our aid programs by improving management and reducing waste of taxpayer dollars.

With these in mind, I will talk about our proposals. The proposal is to restore the purchasing power of the Pell Grants maximum award to $3,700 and increase it 54 percent. We are also a simplifying of the delivery of student aid by proposing a student needs analysis assessment of Title IV student aid programs.

The administration is also proposing what we believe to be an important supplement of the Pell Grant, the Presidential National Achievement Scholarship. It would reward academic excellence by providing an additional $500 to Pell Grant recipients who have met top academic standards.

To receive an award in the freshman year, high school students must, for example, rank in the top 10 percent of their high school class. Once in college, students must rank in the top 20 percent of their class to receive an achievement scholarship. Those students qualifying for this could thus receive a total of $4,200 to formula-based Federal grant assistance each year.

I would like to turn briefly to the issue of program integrity. We are proposing several cross-cutting measures to protect taxpayers and the students from schools that abuse our programs. One example is the current statutory revision revoking GSL eligibility for schools with three consecutive years of high default rates. We would bar the participation of such schools in any Title IV student aid programs.

To close, I just want to say that I feel confident that we are going to restore the integrity of the student financial aid program. We have a strong mandate from the Secretary and the President. This committee and Congress are committed to building sound programs.

Finally, I believe the organizations involved in education—the schools, the associations, the accrediting agencies, the banks, the guarantee agencies—all recognize their obligations for more responsibility for the integrity of these programs. We at the Department have a lot to do to make the system operate as it should. These efforts will help achieve a better result to the ultimate benefit of the student, which is what this program is all about.

I would just like to add one further comment for the benefit of Chairman Ford. He expressed an interest in my last appearance here for a list of six States that were mentioned in response to his question concerning the States who shared in the expense of costs of about 20 percent. Those six States that mentioned were basing on fiscal year 1989—we are presently reviewing the current fiscal year; therefore, we would request the Chairman to permit us to finish our evaluation of that so that the list of States that we provide will be an accurate reflection of what is appropriately involved.

Thank you.

[The prepared statement of Michael Farrell follows:]

ADMINISTRATION PROPOSALS FOR REAUTHORIZING THE PELL GRANT PROGRAM

Testimony By

Michael J. Farrell
Acting Assistant Secretary
for Postsecondary Education

before the

House Subcommittee on Postsecondary Education

Tuesday, June 4, 1991

Mr. Chairman and Members of the Committee:

I appreciate this first opportunity to testify on behalf of the Administration's plan for reauthorizing the Higher Education Act of 1965 (HEA). I know your focus today is on the Pell Grant program, and my remarks will be directed primarily at our proposals for targeting Pell Grants on the poor, rewarding academic excellence, and monitoring program integrity.

I hope our proposals will contribute to the thorough review which you, Mr. Chairman and the Members of the Committee, have indicated will occur during the reauthorization process. The Secretary has previously expressed his desire to re-examine a few policies that the Department put forward in its reauthorization proposal, particularly the minimum academic achievement requirement for Federal student aid recipients. In addition, we are examining a variety of ways to strengthen the institutional eligibility "gatekeeping" system.

We intend to work closely with this committee and the Senate to fashion a fundamental restructuring of the HEA that recognizes and responds to the new challenges facing postsecondary education.

Mr. Chairman, the Pell Grant program is clearly one of the most important of our student financial aid programs. As intended by the Congress when the program was created in 1972, the Pell Grant has become a basic building block of postsecondary education access and choice for the financially disadvantaged.

Its formula nature ensures equity in the treatment of students, and its portability across institutions and programs promotes educational quality through institutional competition.

But the program requires some major changes if it is to be successful in the future. The Administration is proposing such changes in this reauthorization. I want to begin by putting our Pell Grant proposals in context, by describing the perspective from which we have approached the challenge of reforming this program.

First, our HEA reauthorization plan is designed to help achieve our national education goals. As you know, these goals include the commitment to ensure that by the year 2000, every adult American will be literate and possess the knowledge and skills necessary to compete in a global economy, and to exercise the rights and responsibilities of citizenship. A critical objective related to this goal is to increase persistence and completion rates for disadvantaged students, including minorities. The Pell Grant changes, coupled with our proposals to reform pre-college services, can be a fundamental tool for helping achieve this objective.

Second, student aid reform must be accomplished within the tight budget discipline imposed by Congress in the 1990 Budget Reconciliation Act. All of us in the Executive Branch, as well as the Congress, must make the best use of the resources available, in keeping with the fiscal discipline that is our shared responsibility.

Third, Secretary Alexander has put forward a far-reaching, comprehensive plan for reauthorizing the HEA. The literally hundreds of proposed changes in this plan are designed to work together to improve access and quality in postsecondary education.

Fourth, an important goal of our plan is to ensure integrity in our student financial aid programs by improving management at all levels and reducing waste and abuse of taxpayer dollars. Although it is a big challenge, I am confident we will succeed. I have a mandate from the Secretary to do what is necessary, and I know there is a strong commitment to a sound program in this Committee and in the Congress.

With these four points in mind, let me turn to our proposals to restructure the Pell Grant program.

HIGHER MAXIMUM PELL GRANT AWARD

We propose in this reauthorization to restore the purchasing power of Pell Grants by raising the maximum award to $3,700, an increase of $1,300, or 54 percent, over the current maximum of $2,400. The new $3,700 maximum would partly compensate for rising college costs and help continue to achieve the basic HEA objective of ensuring access to four-year public institutions for all students. The higher maximum award would also provide students with increased choice among the wide variety of postsecondary institutions and programs, and would encourage enrollment and persistence among financially disadvantaged students.

Students from lower-income families have been hit much harder by rising college costs than students from middle-income families. For example, from 1975 to 1989, the proportion of family income needed to pay for a public college education only increased from 10.5 to 12.4 percent for a family at the median income level, compared to a jump from 19.8 percent to 26.5 percent for a family in the bottom quintile. Raising the Pell Grant maximum will help ensure that a college education remains a viable option for students from lower income families.

We would also raise the award minimum from $200 to $400. Awards below $400 currently go disproportionately to the relatively higher income recipients and have little impact on student choice of postsecondary program.

NEW AWARD RULES

In addition to higher maximum and minimum awards, the Administration is proposing new award and need analysis rules that would promote targeting of funds to students from the lowest-income families. Awards would be based on both the cost of attendance and the family's ability to pay. Under the new award rule structure, a student's award would be the lesser of amounts determined by the current maximum award minus the expected family contribution (EFC) rule and a new percent of need rule.

These rules would eliminate current inequities by more consistently taking into account each family's ability to contribute to education costs and would fund, up to a maximum of

$3,700, a variable percentage of the student's financial need, defined as the costs of education minus the EFC. The percentage of financial need met by the Pell Grant would decrease as family income increases, ensuring that funds are targeted on the lowest-income students. The maximum award minus EFC rule would interact with the variable percentage of need award rule to ensure that (1) the maximum award of $3,700 is provided only to the lowest-income students, and (2) there is a limit on awards to relatively higher income students attending more expensive institutions.

SIMPLIFICATION

We are also proposing to simplify and reduce confusion in the delivery of student aid by using a single need analysis system for all Title IV student aid programs. As part of this proposal, we would remove home equity from the need determination for families with incomes below $20,000; and we would expect a minimum student contribution for all aid applicants with family income above $12,000. We would also reduce the complexity of the student aid application form by tightening and simplifying the definition of an independent student.

If our proposals are implemented, under our 1992 budget request the average Pell Grant will rise to $1,909, an increase of $425, or nearly 29 percent. Students with family incomes below $10,000 would receive an average grant of $2,191. Overall, as compared to the 1991 current law distribution, the volume of Pell Grants would increase for families below the $20,000 income level and would be slightly reduced for relatively higher income families.

PRESIDENTIAL ACHIEVEMENT SCHOLARSHIPS

The Administration is also proposing a critically important new policy for the major Federal aid programs: recognition and reward of academic excellence. Our proposed Presidential Achievement Scholarships would reward academic excellence by providing up to an additional $500 to Pell Grant recipients who have met high academic standards. To receive an award in the freshman year, high school students must rank in the top 10 percent of their high school class or score high on nationally recognized standardized tests. Once in college, students must rank in the top 20 percent of their college class to receive a Presidential Achievement Scholarship.

With initial funding set at $170 million in our proposed FY 1992 budget, this new program would provide awards to an estimated 340,000 high-achieving, disadvantaged students. Thus for the first time, the Federal government would make a clear statement to recipients of its most costly financial aid program that academic excellence is a highly valued goal.

Students qualifying for the maximum Pell Grant award could therefore receive a total of $4,200 in formula-based Federal grant assistance each year. Additional campus-based Federal grant aid would also continue to be available under the Supplemental Educational Opportunity Grant program.

REDUCING WASTE AND ABUSE

I want to conclude by returning briefly to the issue of program integrity. We are proposing several cross-cutting measures to reduce waste and to protect both taxpayers and students from schools that abuse Title IV student aid programs:

- We would eliminate the arbitrary statutory limitation on the Department's ability to verify application data. Inaccurate awards take money from those who deserve it and weaken the program's fairness.
- We would prohibit schools from paying commissions or bonuses to recruiters or admissions officers that are based directly or indirectly on obtaining student enrollments. This would help protect disadvantaged individuals from schools that use high pressure sales techniques and the lure of financial aid to attract unqualified students to poor quality programs.
- Schools participating in Title IV programs would be required to implement a pro rata tuition refund policy for aid recipients who withdraw near the beginning of their enrollment periods. Schools must not profit from early dropouts.
- The Department would broaden the impact of the current statutory provision revoking GSL eligibility for schools with three consecutive years of high default rates by barring the participation of such institutions in any Title IV student aid program. The Congress

determined in the 1990 Reconciliation Act provision affecting GSL that consistently high default rates are an indicator of a school that probably should not be allowed to participate in that Federal program. The waste of Federal grant funds is far more costly to the taxpayer than the waste of loan funds. A general institutional failure to adequately prepare students for either productive employment or further education should be a bar to participation in any Federal aid program.

- Our proposal to tie GSL guarantee agencies more closely to the States is intended to lead to much tougher State licensing of schools seeking eligibility for all Title IV aid. In addition, we propose to give the Secretary the authority to set minimum school licensure standards for Title IV eligibility.

I share the concerns so often expressed by members of this Committee over the continuing problems in our student financial aid programs. I must add, however, after only a few weeks on the job but after having talked to a great many people connected to these programs, that I feel confident we will restore public faith in student financial aid. The Department has a strong mandate from the Secretary and the President. The Congress and this Committee are likewise committed to building sound programs.

Finally, I believe the organizations involved in higher education -- the schools, their associations, the accrediting agencies, the banks, the guarantee agencies -- all recognize their shared responsibility for the integrity of these programs. We will be working hard at the Department to put our house in order, but we will need the cooperation of all those involved in Federal student financial aid to make the system operate as it should. These efforts will help achieve a better result to the ultimate benefit of the student -- which is what this program is all about.

I will be happy to respond to any questions or comments that you may have.

Mr. REED. Thank you, Mr. Farrell.
Mr. Watson-Davis.

STATEMENT OF JULIUS WATSON-DAVIS, PRESIDENT, UNITED STATES STUDENT ASSOCIATION, WASHINGTON, DC

Mr. WATSON-DAVIS. I would like to thank the Chairman and the subcommittee for this opportunity to testify. I am Julius Watson-Davis and I am president of the United States Student Association, the country's oldest and largest national student organization, representing more than 3.5 million students.

USSA's top priority for this year's reauthorization is the establishment of the Pell Grant program as an entitlement for our nation's students. A Pell Grant entitlement will go a long way in making educational opportunities accessible and our nation strong.

First of all, the Pell Grant program was meant to be the cornerstone of the government's student aid programs. Needy students were to be given grants while middle-income students were to receive government-guaranteed but subsidized bank loans to ensure their access. However, for the two major trends, this is no longer the case.

First, the Federal student aid dropped in the early 1980s and continues to lag behind skyrocketing college costs. Even though the appropriations for Pell Grants have increased in real terms, they have been outstripped by college costs increase. The purchasing power of the Pell Grant has declined dramatically. Unfortunately, these shortfalls of the Federal grant aid have helped force tuitions upward as States and institutions scramble to fund need-based grants themselves.

Second, as we all know, there is a tremendous imbalance between loans and grants. The Stafford Loan program has usurped the Pell Grant as the primary form of financial aid even for low-income students. Middle-income students are being squeezed out of student loan programs, which was originally designed to serve them.

Unfortunately, this over-reliance on loans endangers the retention of the students. Knowing that half of all student loan defaults are drop-outs of postsecondary programs, we should equip students with all the resources, including grant aid that will enable them to stay in school.

The loan/grant imbalance also deters many under-represented students from pursuing higher education. Evidence exists that low-income people, students of color and women are more reluctant to borrow to finance their education than other students. In addition, this imbalance further disadvantages low-income students who want to borrow to go to school. After graduation, student loan borrowers have to pay back their loans, and thus will collect less assets than those graduates who did not have to borrow. Also, many student loan borrowers must give up low-paying professions, such as teaching, in order to pay off the loans.

USSA shares Congress' concerns with the increasing costs of the Stafford Loan program, which are related to the undercutting of Pell Grants as the foundation of the student aid programs. It is worthwhile to note that while total student loan volume has quadrupled in the last decade, the percentage of students defaulting on their loans have remained constant at about 10 percent. Thus, restoring the primacy of Pell Grants would go a long way toward reducing the cost caused by Stafford Loan defaults.

USSA's proposals for the Pell Grant program include a number of parts. First of all, we propose that the maximum award be significantly increased. A maximum award of $4,300 provided in the academic year 1992-93 would restore the grant's purchasing power back to the 1980 levels. This would help ensure that the neediest student will not have to take on huge loans.

In addition, an increase in the maximum award would increase the eligibility of students from hard-pressed middle-income families who have been disenfranchised from the Pell Grant program.

Second, USSA supports the idea advanced by Chairman Ford to increase the Pell Grant assistance available to first and second-year students. Such frontloading helps students persist and decrease the amount of loan defaults resulting from student loan borrowers dropping out in the first 2 years when attrition is the highest. USSA, however, cautions against any proposal that would make first- and second-year students ineligible for borrowing which would close off money to needy students.

Third, USSA calls on Congress to make Pell Grants a true entitlement. It is ironic that the student loan program, which is not supposed to be the primary form of aid, is an entitlement while the level of funding for Pell Grants is subjective to the uncertainty of many more appropriations processes. A Pell Grant entitlement would eliminate this uncertainty and restore the loan/grant balance.

A Pell Grant entitlement, along with a serious public advertising campaign on financial aid, would facilitate those students by allowing these youth and their families to predict with much greater certainty how much grant assistance they will be eligible for.

Fourth, USSA supports eliminating the overly limited period of eligibility for Pell Grants.

Fifth, USSA proposes changes in the calculation of costs of attendance. The cap on the costs of attendance should be changed from 60 percent to 75 percent. This would decrease the amount of needy students forced to rely on loans. This cap of 60 percent limits the Pell Grant formula less tuition necessities.

USSA also proposes the cost of attendance to be adjusted to reflect student's true costs. The yearly allowance for students living at home should be increased from $1,700 to $2,200, a 30 percent increase over 1986.

A 30 percent increase would raise the costs of attendance allowance for students not living with their parents from $2,300 to $3,000, a more realistic figure.

A more realistic calculation of child care costs is necessary to ensure that parental status does not hinder a students' access to college. The national average for day care costs for just toddlers is over $3,000; yet the 1986 allowance for child care was $1,000.

These costs of attendance figures should be allowed to increase by $100 every year to keep pace with inflation.

Sixth, USSA supports efforts to eliminate the use of home and farm equity to determine aid for most middle-income families, which ends up denying aid to many hard-pressed families.

Seventh, USSA urges you to ensure that students who work and save money are not penalized when determining Pell Grant awards and eliminate the double counting of students' savings.

Eighth, USSA urges you to reauthorize Pell Grant eligibility for less than half time students. Most of these students have to balance dependent care responsibilities, work and education, and have no other choice than to go to school on a less-than-half-time basis. While we recognize others' concerns about the persistence and graduation rates, we believe that their ineligibility for the largest grant program leaves them unable to pay and thus, stay in school until degree completion.

Ninth, USSA strongly urges this committee to reexamine the definition of an independent student which currently excludes many genuinely self-supporting students, as my written testimony explains. USSA believes that the definition of an independent student should be getting more flexible or student financial aid administrators must be more willing to use their statutory discretion to determine students as independent even if she or he does not meet the regular criteria.

There is no magic transition in turning 24 or becoming a graduate student; why is it so hard for self-sufficient undergraduate students to establish independent status.

In conclusion, I know that millions, including my mother, who enrolled in college as a single parent with two children and I, have benefitted from the Pell Grant program. And funding for the Federal student aid programs has decreased in real terms by 3 percent over the last decade. A strengthened commitment to this program means so much to the future well-being of our country. For every dollar students get in financial aid, we return $4.30 to the Federal Government in taxes. When we invest in student financial assistance, students and our nation win.

Thank you for this opportunity to testify today. We are pleased to answer any questions you might have.

[The prepared statement of Julius Watson-Davis follows:]

USSA
"Organizing and Advocating for Students Across the Country"

United States Student Association / 1012 14th St., N.W. Suite 200/ Washington, D.C. 20005 / (202) 347-USSA
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JUNE 4, 1991

STATEMENT OF

THE UNITED STATES STUDENT ASSOCIATION

ON THE PELL GRANT PROGRAM AND REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

BEFORE THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION

PRESENTED BY

JULIUS WATSON-DAVIS
PRESIDENT

I would like to thank the Chairman and the members of the subcommittee for this opportunity to testify on the Pell Grant program. I am Julius Watson-Davis and I am president of the United States Student Association (USSA), the country's oldest and largest national student organization, representing more than 3.5 million students. USSA's top priority for this year's Reauthorization of the Higher Education Act is the establishment of the Pell Grant program as an entitlement for our Nation's postsecondary students. An examination of the importance of this grant assistance, the problems caused by its status as a discretionary program, and the challenges facing our country will demonstrate how a Pell Grant entitlement will go a long way in making educational opportunities accessible and our Nation strong.

First of all, the purpose of Title IV Student Financial Assistance programs is "to assist in making available the benefits of postsecondary education to eligible students ... in institutions of higher education by (1) providing basic educational opportunity grants to all eligible students ..." [Section 401 (a)]. The Basic Educational Opportunity Grant, now named the Pell Grant, program was meant to be the cornerstone of the federal government's student aid programs. Needy students were to be given grants to replace the family contributions they simply did not have, while middle-income students were to receive government-guaranteed but minimally subsidized private bank loans to ensure their access. Hence, the primary form of student financial assistance were to be need-based grants. However, in the last 25 years, two major changes have occurred in federal financial aid, both with implications for educational access:

First, inflation-adjusted federal student aid dropped in the early 1980's and continues to lag behind skyrocketing college costs, which are fueled by shortfalls in federal student aid (Attachment #1).

Federal student aid - adjusted for inflation - suffered a 14% drop between 1980-81 and 85-86 after the termination of Social Security benefits for

students and a substantial decrease in student aid for veterans.[1] **Thanks to increases in state and institutional funding for grants, the overall drop in student aid was held to 7%. However, as aid was declining, college costs**[2] **were raising faster than inflation and real family incomes.** These factors - skyrocketing college costs, lagging family incomes, and slow growth in student aid - have made postsecondary education increasingly inaccessible. These trends in particular affected the college participation of students of color (Attachment #2). Hence, between 1980-81 and 1989-90, federal financial aid declined by 3% in real terms while costs at attendance at private four-year schools jumped by 52.2% and at public four-year schools by 39.9% (Attachment #3).

Even though appropriations for Pell Grants have increased in real terms, they have been outstripped by skyrocketing college costs. These trends mean that the **purchasing power of student aid has declined dramatically**: *in 1979-80, the maximum Pell Grant a student could receive covered 50% of the costs of attendance compared to less than 25% in 1989-90.* Unfortunately, these shortfalls in federal grant aid have helped force tuitions upward as states, universities and colleges scramble to fund need-based grants themselves by increasing tuition, among other fundraising mechanisms.

Second, the **balance between types of student financial assistance has become increasingly skewed toward loans over grants** (Attachment #4). In 1975-76, grants constituted 80% of available financial assistance. However, that proportion has dropped to 49% in 1989-90. At the same time, the percentage of aid available in the form of loans has leapt from 17% to 48%. Thus, the Stafford Loan program has usurped the Pell Grant program as the primary form of financial aid available to needy students. Yet the federal loan programs were not designed for low-income students but rather for middle-income students. However, low-income students have had to increasingly depend on loans to cover their college costs, and - as loans have become increasingly subsidized and costly to the government - middle-income students are being squeezed out of eligibility for the student loan program ... which was originally designed to serve them!

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[1] After 1985, social security education benefits were terminated. Student aid had been awarded through the Social Security program to students who were dependents of families who were in need because of the death or disability of the wage earner.

[2] College costs, or "costs of attendance," includes tuition, fees, and room and board.

Unfortunately, this overdependence on loans has tremendously impacted students' ability to access higher education. First, the overreliance on loans **endangers the retention and graduation of students, especially disadvantaged students**. A 1989 report[3] revealed a "dramatic difference in persistence between students receiving grants and those who have not received them." Out of the students who did not receive a grant during their first year, only 75% returned for the second semester; the percentage of African-American students was even lower at 60%. However, 90% of ALL students who received a grant during their first year were still enrolled enrolled the second semester. These findings suggest that the availability of grants is crucial to the retention and graduation of students. Since we know that half of all Stafford loan defaulters are dropouts from postsecondary programs, we should be equipping students with all of the resources - including adequate grant assistance - that will enable them to stay in school.

Second, the overreliance on loans **deters many traditionally underrepresented students from pursuing higher education**. There is evidence that low-income people, students of color, and women are more reluctant to borrow to finance their education than other students. That grant assistance is key to the recruitment and retention of students of color and low-income students can be seen in the fact that at the same time that grant dollars were drying up in 1980's, we saw a huge decline in the enrollment of these populations.

Third, the displacement of grants by loans among available aid **further disadvantages low-income students who must borrow to go to school**. After graduation, student loan borrowers have to pay back their loans and thus will collect less assets than those graduates who did not have to borrow for college. In addition, many student loan borrowers must give up low-paying professions such as community service and teaching in order to pay off their loans, while other more fortunate students are not limited in this way. It is our country as well as the individuals involved who lose out when students' post-graduation choices are dictated by economics.

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[3] Porter, Oscar F. Undergraduate Completion and Persistence at Four-Year Colleges and Universities. The National Institute of Independent Colleges and Universities, 1989.

USSA shares Congress' concerns with the increasing costs of the Stafford Loan program, which are no doubt related to undercutting of Pell Grants as the foundation of the federal government's efforts to make postsecondary education accessible. One illustration of this is the fact that between 1975-76 and 1979-80, the maximum Pell Grant a low-income student could receive covered 46% to 50% of the costs of attendance; the remainder could have been financed by a student loan ranging from $1,385 in 1975-76 and $2,269 in 1979-80. After 1980, however, the percentage of costs covered by a maximum Pell Grant fell to 35%, and the remainder of the costs could NOT be covered by a maximum Stafford Loan of $2,500. Hence, many needy students, especially those from middle-class families, have had to resort to additional borrowing from more onerous student loan programs. *It is worthwhile to note that while total student loan volume has quadrupled in the last decade the percentage of students defaulting on their loans has remained about constant at 10%.*

Thus, restoring the primacy of Pell Grants would go a long way toward reducing the costs caused by Stafford Loan defaults, and toward ensuring that all students, particularly those from low-income, ethnic/racial minority, and first-generation college backgrounds, can enroll in, stay in and graduate from a postsecondary institution.

USSA's proposals for the Pell Grant program include a number of parts. First of all, we propose that **the maximum award be significantly increased** to make up for the effects of inflation. Adjusting for inflation, the maximum Pell Grant for 1990-91 of $2,400 is actually about $500 less than the maximum award for 1975-76 of $1,400. A maximum award of $4,300 for academic year 1992-93 would restore the grant's purchasing power back to 1980 levels (to about 73% of the average costs of attendance for public four-year schools).[4] This would help ensure that the neediest students will not have to take on huge loans, or work long hours and drop to part-time basis to pay for a postsecondary education.

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[4] USSA is proposing the following Pell Grant maximums: (see next page)

In addition, an increase in the maximum award would also increase the access of students from hard-pressed middle-income families to the program. In 1987-88, students with family incomes of less than $30,001 constituted 98.5% of all Pell Grant recipients, while those with family incomes less than $20,001 made up 89.1% of the recipients. Middle-income students have been effectively disenfranchised from the Pell Grant program. Yet, according to the 1978 Middle Income Student Assistance Act (MISAA), students with family incomes of $25,000 should have been eligible for a minimum Pell Grant; the effects of inflation mean that a family making about $48,000 today should be eligible. The fact that middle-income families are finding it increasingly difficult to afford a college education can be seen in a 1990 study[5] that found that fewer students from families with moderate incomes are enrolling at colleges and universities, particularly at the most selective independent and public institutions.

Second, USSA supports the idea advanced by Chairman Ford to **increase the Pell Grant assistance available to first- and second-year students**. Since the first-year of postsecondary study is the "greatest single point of loss in persistence"[6] and the second-year also a dangerous year for retention, it makes sense that we increase grant assistance during the first two years. Such "frontloading" would help students stay in college and decrease the amount of loan defaults resulting from student loan borrowers dropping out during the first two years (when attrition is the highest). USSA, however, cautions against any proposal that would make first- and second-year students only eligible for grant assistance and ineligible for borrowing; such a strict policy would close off many public institutions and most independent institutions to many needy students since the costs of attendance at these schools would

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$4,300 for academic year 1992-93
$4,500 for academic year 1993-94
$4,700 for academic year 1994-95
$4,900 for academic year 1995-96
$5,000 for academic year 1996-97

[5] Shapiro, Martin O. for the Consortium on Financing Higher Education, 1990.

[6] Porter, 1989.

still require borrowing by many of them.

Third, USSA joins the National Education Association (NEA), United Negro College Fund, Inc. (UNCF) and other organizations in calling on Congress to **make Pell Grants a true entitlement**. It is ironic that the Stafford Loan program - which was NOT suppose to be the primary form of aid - is an entitlement while the level of funding for Pell Grants depends on the year-to-year appropriations process. This means that the amount of Pell Grant aid awarded every year depends not only on a student's financial need and costs of attendance, but also on the funding level appropriated by Congress, which adjusts awards upward or downward. This adds much uncertainty to needy students' lives: they cannot predict from year to year whether they will receive a Pell Grant and if they do, how much it will be.

When the appropriations level is inadequate to fund all eligible applicants - i.e. a "shortfall" occurs - Congress can borrow from subsequent years or find additional funding so that students can receive the award levels they were eligible for without reducing the total amount of awards. However, many times, students have been eliminated from the program. For example in 1986-87, a Pell Grant funding shortfall led to a linear reduction, which meant that grant amounts decreased as student's Student Aid Index (SAI) increased. A true Pell Grant entitlement would eliminate this year-to-year uncertainty over the what the appropriated maximum, and level and number of awards will be, and go a long way toward restoring the loan/grant balance.

In addition, USSA supports Congress' efforts to undertake early intervention programs that will encourage ALL youths to pursue postsecondary opportunities. A Pell Grant entitlement would allow these youth and their families to predict with much greater certainty how much Pell Grant assistance they would be eligible for if they seriously pursued these opportunities. This certainty of grant assistance for all eligible students, coupled with a serious public advertising campaign on student financial assistance, would go a long way to encouraging disadvantaged youth and families, including students of color, low-income students, and first-generation college students, to pursue a higher education and to see such an opportunity as within their reach.

Fourth, USSA supports **modifying the overly limited period of eligibility for Pell Grants.** Currently, Pell Grant eligibility is limited for the period required for the completion of the first undergraduate baccalaureate course of study; this period, however, cannot exceed 5 academic years for students enrolled in undergraduate programs requiring 4 years of study or less, or 6 academic years if the program requires more than 4 years of study. These artificial limits are not necessary since there exists a current prerequisite of "satisfactory progress" for continued student financial assistance eligibility.[7] The impact is that students who are on a degree track who cannot graduate within 5 or 6 years are unfairly denied grant assistance when they are so close to completing their degree. And there are many reasons why serious students cannot graduate within 5 or 6 years, including the fact that at many institutions necessary classes are offered very rarely, which makes it difficult for students to graduate within a fixed period of time.

Fifth, USSA proposes **changes in the calculation of costs of attendance.** Right now, a student's Pell Grant is determined by looking at three calculations; individual awards cannot exceed the smallest of the three:

(1) *60% of the costs of attendance* (defined as tuition and fees, room and board, books and supplies, transportation, and other relevant expenses such as child care costs);
(2) *Costs of attendance - expected family contribution (EFC)*; or
(3) *Maximum Pell Grant award - EFC.*

USSA recommends changing the first calculation to 75 percent of the costs of attendance. This would help decrease the amount of very needy students forced to rely on loans to cover their college costs; instead they could rely on family contributions and grant assistance. Also, the cap of 60% of the costs of attendance renders the Pell Grant formula less tuition-sensitive with the unfortunate result in many cases of low-income students receiving the same award amount as students with much higher family incomes.

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[7] According to Section 484(c): (1) For the purpose of subsection (a)(2), a student is maintaining satisfactory progress if-(A) the institution at which the student is in attendance, reviews the progress of the student at the end of each academic year, or its equivalent, as determined by the institution, and (B) the student has a cumulative C average, or its equivalent or academic standing consistent with the requirements for graduation, as determined by the institution, at the end of the second such academic year.

USSA also proposes that the costs of attendance figures be adjusted to cover students' true costs today.

- For students who have no dependents and are living at home with their parents, a "commuter allowance" of $1,700 is is suppose to cover room and board, books, supplies, transportation and miscellaneous expenses. USSA proposes to raise this to $2,200, just a 30% increase over the 1986 Reauthorization level.

- Likewise, a 30% increase would raise the costs of attendance allowance for students not living with their parents from $2,300 to $3,000; a realistic figure when one considers that a November 1990 report Finances of Higher Education Institutions which revealed that typical room and board charges at a public college was $2,400 in 1989-90.

- A more realistic calculation of child care costs is necessary to ensure that parental status - especially for women - does not hinder students' access to college. The 1986 Reauthorization allowance for child care is $1,000, which is far short of true costs of such care today. The national average for day care costs for just toddlers is over $3,000 a year.

- USSA recommends that these costs of attendance figures be allowed to increase by $100 every year to keep pace with inflation.

Sixth, the **calculation of the net value of a student's family's home or farm as an asset** ends up denying aid to many hard-pressed middle-income families. They should not be penalized for the huge leaps in housing prices which have increased the value of their homes but necessarily their ability to pay for a postsecondary education. While these families have equity available to borrow against, many hard-pressed families cannot afford to pay for home equity loan payments. USSA supports the efforts of many on this subcommittee to eliminate the use of home and farm equity in determining aid for most middle-class families.

Seventh, USSA urges you to **ensure that students who work and save money are not penalized when determining Pell Grant awards**. Under the current law, if a student works and saves a portion of these earnings, the earnings are assessed twice: once in the base-year income calculation - which is used to determine the student's expected contribution during the award year - and once in the asset collection. This "double counting" actually discourages students from saving. We propose that "no cash on hand or other property (or interest therein) of a dependent student shall be treated as an asset of the student (or spouse) for purposes of section 411B(1) except to the extent that such cash or property exceeds the amount the student is required to contribute from discretionary income under 411B(f)."

Eighth, USSA applauded the committee's passage of an amendment in 1986 that authorized Pell Grant **eligibility for less-than-half-time students**. The suspension of this amendment, however, has hurt the college access of these students, who are mostly nontraditionally aged students and female. Many of these students have to balance child and other dependent care responsibilities, work and education, and so have no other choice than to go to school on a less-than-half-time basis. While we recognize others' concerns about the persistence and graduation rates of this population, we believe that their ineligibility for the largest grant and loan programs leaves too many them unable to afford to pay for and thus stay in school till degree-completion. We urge you to reauthorize this provision and work to ensure the access of ALL part-time students to this important grant program. After all, part-time students constitute 43.4% of postsecondary enrollment.

Ninth, USSA strongly urges this committee to examine the **definition of an independent student**. The current definition excludes many genuinely self-supporting students. *See box for definition of an "independent student.* Under the existing definition, if you are a genuinely self-sufficient student who does not fall into any of the automatic categories, you must fulfill two conditional criteria if you are an undergraduate student. (1) Your parents could not claim you as a dependent on their income taxes for two years prior to the award year; AND (2) you must have total resources of at least $4,000 (not counting parental support) during those two years. However, your chances of being considered an independent student by the federal government are sabotaged if:

(1) your parent(s) have claimed you as a dependent on their tax returns; or

(2) your parent(s) refuse to make the tax forms available to you; or

(3) in certain areas, you can and are surviving on less than $4,000 a year.

DEFINITION OF "INDEPENDENT STUDENT" (Section 411F(12))

Automatic Criteria

A student falling into any of these categories is **automatically** considered an independent student:

- 24 years of age or older
- An orphan or ward of the court
- A veteran of the U.S. Armed Forces
- Have legal dependents other than a spouse

Student Financial Aid Administrator Professional Judgment

In addition, the financial aid administrator has the authority to change a student's dependency status if he/she thinks the circumstances warrant it.

Conditional Criteria

A student who does not fall into the automatic categories must satisfy the **requirements** noted in order to be considered as an independent student:

- A married, graduate or professional student must declare that he/she will NOT be claimed by his/her parent(s) for tax purposes for the first calendar year of the award year.
- A single undergraduate student cannot be claimed as a tax exemption for the two years prior to the award year* AND must have "total resources" of $4,000 or more (not counting support from parents).

* *The statute appears to refer to the award year that the student is applying for, but the regulations refer to the award year that the student FIRST received any kind of federal student aid.*

However, here is the real catch: the way the regulations are written, you must not be claimed by your parents and have resources in excess of $4,00 the two years prior to the first year you received aid, NOT the two years prior to the award year. The unfairness of this was vividly illustrated by a Maryland student who testified at a Senate Subcommittee on Education, Arts and Humanities field hearing. She is 21 years old and was financially independent when she was 18 and 19 years old. However, she was told by the financial aid office that she could not receive independent student status unless she was financially self-sufficient and not claimed on her parents' taxes when she was 16 and 17 years old, since she first received financial aid when she was an 18 year-old freshman. This is ridiculous since she worked 40 hours a week, went to school full-time, and incurred over $8,000 worth of student loan debt her first two years of college...and did not receive a dime from her parents for college.

Clearly, the definition of an independent student must be made more flexible OR student financial aid administrators must be more willing to use their statutory discretion to determine student as being independent even if he or she does not meet the regular criteria. Unfortunately, because of a lack of training or lack of willingness, too many student financial aid administrators are not giving these students a break. It is ironic that it is so much easier to receive independent status if you are graduate student even if you are under age 24. There is no magic transition in turning age 24 or becoming a graduate student; why should it be so hard for genuinely independent undergraduate students to establish independent student status, and receive the level of aid they need to access postsecondary education?

Lastly, there are a number of ways we can **simplify the student aid application and needs analysis system** to facilitate students' access to financial aid and higher education. Among the ways include:

- One free simplified application form for all federal, state and institutional aid;
- A simplified updating process;
- Automatic eligibility for students from families with proven need, such as eligibility for Aid for Families with Dependent Children (AFDC);
- The integration of the Pell Grant and Congressional Methodology need analysis models.

In conclusion, a Pell Grant entitlement and other structural changes will help the federal government continue to fulfill the Higher Education Act's promise of making higher education accessible to all Americans regardless of financial need. I know that my mother, who enrolled in college as a single parent with two children, as well as I have personally benefitted greatly from the Pell Grant program. And our Nation must continue opening similar doors for others: by the end of the century, a majority of jobs in the U.S. will require postsecondary educations. This is a critical juncture for our country, which will need a well-trained workforce and college graduates who are not loaded down by loans and able to teach, to serve and to volunteer.

At perhaps no other time has the need for an investment in education meant so much to the future well-being of our country. Fewer middle-income students are enrolling in college. We are losing increasing numbers of low- and middle-income students of color during the critical transition between high school and college. The gap between the ability of poor and non-poor youths to pursue postsecondary opportunities is widening. And funding for federal student aid programs has decreased in real terms by 3% over the last decade. Yet we know that the federal government's commitment to postsecondary financial assistance works: for every dollar we put into the GI bill the country got back an estimated 40 dollars. And today we know that for every dollar we students get in financial aid, we return $4.30 to the federal government in taxes.[8] When we invest in student financial assistance, particularly the grant programs, students - and our nation - win.

Thank you for this opportunity to testify today. I am pleased to answer any questions you might have.

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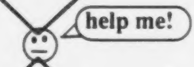
[8] Study authored by St. John, Edward P. and Charles L. Masten. The Journal of Student Financial Aid, published by the National Association of Student Financial Aid Administrators, Fall 1990.

In 1989-90, the maximum Pell Grant a needy college student can receive covers less than 25% of the cost of attendance compared to 50% of the cost in 1979-80. Other post-secondary student aid programs have suffered as well. Between 1979-80 and 1989-90, funding for Supplemental Educational Opportunity Grants have decreased by 18%; the College Work Study program has been cut by 23%; and Perkins Loan funding is down by 53%, after accounting for inflation.

AID IS DOWN!



TUITION'S UP!

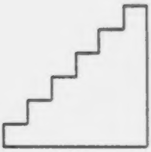
College costs have increased 30% over the past ten years. The cost of attending all types of institutions outpaced inflation in the '80's. With the federal effort in student aid eroding, the purchasing power of total aid from all sources has increased little more than inflation. Thus, three adverse trends - rapidly escalating college costs, lagging family incomes, and slow growth in student aid - have made financing post-secondary education more difficult for families and students in the 1980's.

JOIN USSA IN FIGHTING FOR A QUALITY EDUCATION THAT IS ACCESSIBLE TO ALL.

For more information, write or call USSA at:
1012 14th St. NW, #207
Washington, DC. 20005
(202) 347-USSA

Sources: Committee for Education Funding, The College Board

One Step Up...

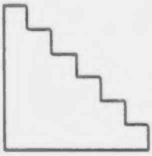


The high school graduation rate for African-American students was 76% in 1985 (up more than 15% in 10 years) for Hispanic students it was 63% (up 7% in the same period).

College attendance and graduation rate of students of color increased in large part due to more financial aid. From 1971 to 1981, total enrollment of students of color leaped 56%.

Between 1977 and 1987 the average score for African-American students taking the SAT increased 21 points on the verbal and 20 points on the math portion. For whites, it rose only one point on verbal and remained the same on math.

Two steps back...



Between 1975 and 1985 the percentage of African-American high school graduates 24 years or younger who were enrolled or had completed at least one year of college dropped from 48% to 44%.

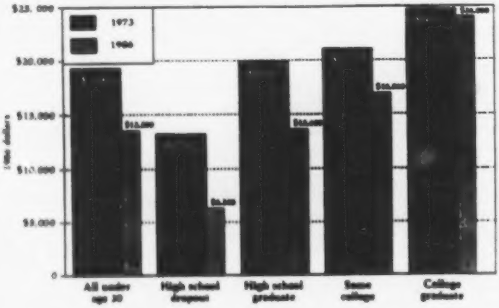
The rate of college attendance for Hispanic youth also dropped between 1975 and 1985 from 49% to 47%.

Native Americans' high school and college attendance numbers are still lowest for any ethnic group. Only 55% graduate from high school, 17% of them go on to college.

In 1986 Asian-American students comprised just 3.6% of the total higher education enrollment.

LACK OF EDUCATION HURTS

Median Annual Earnings of Heads of Young Families, by Educational Attainment, 1973 and 1986



- Among family heads younger than 30, only those with a college degree were shielded from very large earnings losses between 1973 and 1986. By 1986 the median earnings of these graduates ($24,000) were four times greater than those of young family heads who were high school dropouts ($6,240), whereas in 1973 they were less than double.

We can see that the lack of education hurts, but how can people get education without funding? College attendance by people of color was highest prior to the Reagan era, when the education budget started to shrink. Unfortunately, our new "Education President" has done little to right the wrongs of his predecessor. Grants are shrinking in availability and size, as loans become more plentiful and more costly.

This is unacceptable. Our college campuses should reflect the diversity of our society as a whole. Fight to increase the federal education budget! Fight to open the doors of higher education to all, not just to the elite few!

EDUCATION IS A RIGHT!

USSA
United States Student Association

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Sources: Children's Defense Fund, American Council on Education, Change Magazine

USSA United States Student Association

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UNITED STATES
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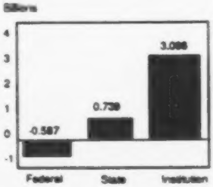
HOW MUCH HAS FEDERAL STUDENT AID DECLINED?

At a press conference on November 26, 1990, the former Secretary of Education released a study on rising college costs and was asked whether federal student aid has increased to offset such increases. He then cited a College Board study and asserted that federal student aid increased 23% between 1980 and 1989, after adjusting for inflation. The actual College Board figure was 24%, but this 23% (or 24%) figure was selected from a number of possible responses that are found in the College Board report. A comparison of some alternative responses will show that this 23% (or 24%) figure is misleading.

(1) The 24% figure excludes federal student aid administered outside the Department of Education through Veterans, Social Security, Military and other departments. But if you include ALL these types of federal student aid, you'll find that (inflation-adjusted) **total federal student aid declined, not increased, by 3% between 1980-81 and 89-90.**

(2) Loans and grants are NOT the same: grants decrease the amount students have to pay for college, while loans - along with interest - actually increase the costs of higher education! Unfortunately, ALL of the increases in federal student aid in the 1980's were in the form of loans. (Inflation-adjusted) **federal funding for student grants actually declined by 37%, while federal funding for loans increased by 32%.** These shortfalls in federal grant funding have forced colleges and universities to find increasing amounts of money in their own budgets to fund grants. Much of this money has come out of tuition increases: hence, shortfalls in federal student aid set up a vicious cycle where inadequate federal funding for grants forces tuitions upward as institutions scramble to fund grants for needy students. As Chart A shows, ALL the increases in grants over the last decade have come from institutions and states, and none, overall, from the federal government.

Chart A: **Changes in Total Grants Awarded to Students by Sector (1980-81 to 1988-89)**

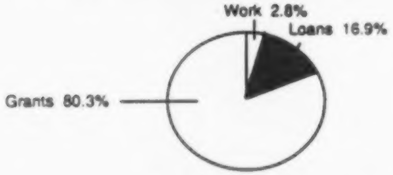


(3) Using the Consumer Price Index (CPI) to adjust student aid for inflation is inaccurate, since the CPI reflects a market basket of goods and services that does not necessarily reflect the true costs facing students, namely tuition, room and board. Using a mock-up of a Student Cost Index calculated by Frances + Associates that uses tuition, room and board costs shows that the effects of inflation on student costs are much more drastic than are found using the CPI. Hence, a more accurate inflation-adjusting mechanism shows that **the real value of federal grant aid to students in the late 1980's was not much more than two-thirds the real value in 1980-81.**

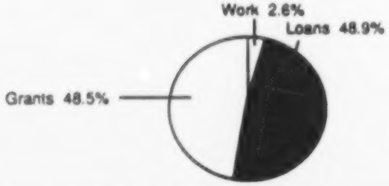
(Source: Carol Frances + Associates)

LOANS ARE UP AND GRANTS ARE DOWN; FORGET ABOUT THAT CAP AND GOWN !

In 1975-76, the financial aid available to students looked like this:



In 1988-89, it looks like this:



In the Higher Education Act of 1965, the U.S government explicitly committed itself to the equalizing of college opportunities for traditionally underrepresented groups in higher education. Programs were set up to faciliate the access of low-income individuals with grants to replace the family contributions they did not have. Yet, in the last decade, two trends have threatened this access.

First, student aid in constant dollars dropped sharply and continues to lag behind skyrocketing college costs, which have outpaced inflation and real family incomes.

Second, the shifting balance of grants over loans means that more and more needy students are forced to take on increasingly large loan burdens to finance their education. Are we mortgaging the future of generations of disadvantaged students? And is the U.S government encouraging the pursuit of higher education or setting up obstacles?

JOIN THE UNITED STATES STUDENT ASSOCIATION'S EFFORTS DURING THIS YEAR'S REAUTHORIZATION OF THE HIGHER EDUCATION ACT TO MAKE EDUCATION A RIGHT FOR ALL, INSTEAD OF A PRIVILEGE OF A FEW.

Contact USSA, 1012 14th St. NW, #207, Washington, DC. 20005 (202) 347-USSA.

Mr. Reed. Thank you very much, Mr. Watson-Davis.

I understand that Dr. Saunders and Dr. Elmendorf and Dr. Thrift have a joint statement. So at this time, I would recognize you to make your statement.

STATEMENT OF CHARLES B. SAUNDERS, SENIOR VICE PRESIDENT, AMERICAN COUNCIL ON EDUCATION; EDWARD M. ELMENDORF, VICE PRESIDENT FOR GOVERNMENT RELATIONS, AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES; AND JULIANNE STILL THRIFT, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION FOR INDEPENDENT COLLEGES AND UNIVERSITIES

Mr. Saunders. Thank you very much, Mr. Chairman and members of the committee. You have our statement. We will attempt to summarize it. My colleagues, Ed Elmendorf, is vice president of the American Association of the Sate Colleges and Universities. Julianne Thrift is the executive vice president of the National Association of Independent Colleges and Universities. I should add that she is the newly appointed president of Salem College in North Carolina. She will be beginning those duties in April.

We are here this morning to express a broad consensus of higher education that are not simply of our three associations, but more than a dozen associations listed on our statement.

Our recommendations address two issues that have been identified as the top priority for dealing with the Pell Grant program; namely, taking steps to significantly increase awards to the needier students, and, thus, reduce their reliance on borrowing. Secondly, to expand eligibility to more middle income students.

We would do this by increasing the Pell Grant award to $4,500. This, I should add, is an increase over the $4,000 maximum requested in our original submission in April to the subcommittee, but we have reestimated our proposal and find that that we can recommend a $4,500 maximize. We would tie it to the consumer price index in future years so that the award would not corrode with inflation. We would require the Department to borrow from the next year, instead of reducing awards, when appropriations are insufficient. Identical language to this was included, as you recall, in the Education Act recorded by this subcommittee, and passed by the House last year.

I should also say we support the concept of a simple needs analysis, which will be outlined later this morning by Dallas Martin. But what I would like to emphasize most strongly this morning is the most critical element of our proposal is the change in the Pell Grant formula. If you substantially do increase the Pell Grant award using the present formula, this would compound serious inequities in the program, which we identified primarily as two. One is the 60 percent cost limitation, which prevents the needier students from receiving the full amount of their award, so that they receive, in effect, a smaller proportion of their need than do fellow students with larger family incomes.

The second inequity is the lack of tuition sensitivity of the award whereby students with the same expected family contributions get essentially the same award regardless of what institution they attend. Thus, students in baccalaureate programs receive far less and have far less of their educational costs met than do students in 2 year program or short-term vocational programs.

Our proposed formula would apply a single test to all students. Instead of the complex three-part compensation that is now required for every individual award, it would eliminate the 60 percent cost limitation, and make the awards more tuition sensitive. It would extend eligibility to families with incomes up to $44,000 compared to the current effective cut-off of about $35,000. It would not only be more equitable, but it would be far less costly if we estimated that a $4,500 maximum under current law would cost over $11 billion. A $4,500 maximum under our proposed formula would cost under $9 billion. That is quite a difference.

At this point, Mr. Chairman, I would like to turn to Ed Elmendorf for a description of the principals that underlay our new proposal for a formula.

Mr. ELMENDORF. Thank you, Mr. Chairman. Mr. Chairman, my purpose for being here today is to explain the Pell Grant formula, and more on the technical side of the formula. But I would state that we could spend some time with staff of the committee, and we are prepared to do so at your request. This is a complex formula. It takes a great deal of time to understand. If not, we think the background charts, some of which are included in the statement, and tables which we would like to make available to you and myself available as well.

There are two substantial problems that we believe need to be addressed. The first one is a funding problem and the second is a distribution formula for that funding when it is achieved. The funding problem, I am concerned—well, it's very clear we just don't have enough money in that program. We must restore the legislative measures that would prevent a reoccurrence of the underfunding of the program.

Secondly, this we believe a distribution formula of money has to be carried out under some degree of sound policy; and we have got some principals we would like to propose here today that we have used and discussed over the last 18 months to put forth in this testimony.

The funding problems—we are now addressing that. Chairman Ford has done a commendable job of putting forward a budget initiative. He also has taken it upon himself to meet with both budget and appropriations committees to carry forward that message. The message I'd like to leave on funding is in that building a funding foundation now in fiscal year 1992 allows us to use the next two funding cycles to make the Pell Program funding charters being called for in our proposals reachable. The additional $5.3 billion of this year to $8.7 billion in 1994 is reachable, we believe, if we continue to attend to the problem of funding for the next two funding cycles.

What we need to do, however, is making a very obvious u-turn in student aid funding; we find ourselves almost 180 degrees out of synch with our intent to make grants our major student aid program. The Pell Program has been improperly displaced by the Guaranteed Student Loan Program, where it has been displaced as a centerpiece in the foundation of the student aid programs. That is not what I think Congress has in mind.

Just to give you a few examples: If you were to add the CPI to the income levels set back in 1976 for $25,000 eligibility in this program, right now students from families earning $49,000 would be eligible for this program. The cap on eligibility right now is $35,000. The second example is in 1976, the maximum Pell Grant award, which covered around 48 percent of the average cost of a 4 year college, about 29 percent of the costs of the independent institutions, were allowed to move up by a CPI. Today, we find that a maximum of $2,400 on the award of Pell under 2 percent of the average cost of a school like Johnson State, where I was president, or 15 percent of the cost of independent similar to what Julianne would be taking over as president.

What is happening is the vast majority of our students can only afford to pay for higher education after all the grants have been taken out and after the family contributions have been made by borrowing. What is really scary is the fact that our students attending institutions that cost no more than $1,878 on the average are borrowing at the rate of six out of every ten. They are borrowing as freshmen an average of $1,800. It is a very disturbing fact to find low-income students attending low-priced institutions requiring a need to borrow.

The program that we have put forward is a Pell Grant institution formula that corrects what we think is a flaw in a complex and a foundationally-unsound current Pell Grant formula. The four criteria we put in place and tested, our formula basically against the current formula are these:

The first one—and if you look at the tables that we provided and the three graphs in your packet, you will see that we have outlined a comparison of the proposed Pell with the current Pell at three different income levels and at three tuition levels. The first is a community average tuition of around $796; a 4 year public of about $1,870; and a private 4 year of around $8,800.

Looking at those three tables, the rules that we followed are basically that the Pell Grant award should decrease, always decrease as families' ability to pay increases. The current formula does not meet that test. The proposed Pell does you'll see it in virtually the first chart, a dip that you see in the current Pell Grant program. That makes the effect in a graphic representation of what happens when you put a 60 percent tap on the cost of attendance for students who are the lowest income families going to low-priced institutions.

The second criteria is the Pell Grant to try to meet the highest percent of need at the lowest price. That could be access criteria. That is how we get students in the higher education. It fails that test as well.

The third is that we tried to recognize some needy students attending higher-priced institutions, and provide some degree of modest tuition sensitivity. We do that as you begin to look at the middle charter for those going to a 4 year public and the third chart going to more of—but still moderately priced private sector institutions. In that case, you can see that we are not having more people up to around $44,000 in contrast to those that are now cut out rather arbitrarily at $35,000.

In the last program, we try to reach students from moderate-income families. The tables and the charts together will show you that we can now reach almost where the formula eligibility established in 1976 would have taken CPI to put on that.

The formula is as follows: $4,500 funding level, represented by Mr. Saunders in the testimony that we have all endorsed, if we put a living expense of $2,750, that living expense represents approximately 45 percent of what it really costs for any student in any segment to attend an institution of higher education, just for the outside non-tuition cost. To that, add a quarter or 25 percent of any tuition up to a maximum of $4,500 minus what the family can contribute. The maximum amount that we can reach is about $7,000 on this formula at this maximum award.

The other part of the formula is that we never bid a maximum award that was in excess of what the family could contribute.

The figures, I think, point out how the criteria when applied to the new Pell Grant formula contradicts the current Pell Grant formula at every one and four. The price level from a beauty college, independent to the 4 year State college fail to be satisfied under the current formula. They are satisfied quite nicely under the alternative formula. I would like to just leave it off there, and let Julianne talk about the impact of the middle income student, but also let the panel hear—for those of you who don't know, we also have additional information that would portray how much more this would cost funding at $4,500 under the current Pell Grant program, and to show you what some of the averages would be.

Thank you, Mr. Chairman.

Mr. Reed. Thank you, Dr. Elmendorf.

Dr. Thrift.

Ms. Thrift. Thank you so much. It is especially satisfying to be here this morning sharing with my colleagues, for the first that I can remember, all testifying on one proposal for a Pell Grant formula. It would have been best perhaps coming together than we could ever do separately.

Of all the hearings that we have had, two of those always surface. We go to the lower bent version, that got to the very needy students, but also to go to recognize the struggle of middle-income families. We have been able, in our formula, to recognize both versions.

I am going to ask Linda—what we have done here, and it looks more complicated than it is. This is the way we propose the Pell Grant work. Linda is going to draw for you the way the current formula works.

It shows you the graph, if you look on the far left of the chart, of the way that dips down versus the very low income student attending the lowest-priced college. None of us in higher education want you to do that. It is simply unfair.

Also, you could see how very quickly the line dips. You find that a family that is very needy attends a college, a 4 year parochial college or a 4 year private college, any baccalaureate to go to college, are not going to get the kind of assistance they need to attend the college. We believe we have come up with the kind of formula that solves both of those problems. So they won't have a debt burden of the very needy.

We also recognize the true struggle of working class families. A lot of the—all the struggle among ourselves. It really didn't hit home to me so clearly until I accepted the challenge, 2 weeks ago today, to head a private college in North Carolina. I'll tell you that the impact of this kind of formula on the needy will have a very profound impact than when we were first students. If I can go to the high schools in North Carolina, and tell the needy families that the Federal Government is willing to help you half your living costs and a quarter of your tuition, I could guarantee you that I could find the neediest people in the State, the ones from my college, to pick up some of those expenses, and ask the State legislature for maybe another quarter of tuition, and we could put it together for students.

But I can tell you right now it is very difficult to give any kind of assurance to a low-income person. But let me tell you, too, that I am one of the recipients of your generosity in the past. I am one of the original Pell Grant students from the late 1960s. Because—more than that kind of opportunity to other students. Today we can't do it. The kind of formula that we are talking about that can do that. And I will tell you, too, that from the guidance I have had in the last month, things just haven't changed that much. When I was a kid at the high school, the typical family was an industrial father and the mother worked in the textile mills. The things that changed the most are that the textile mills have closed, and these mothers are now in service industries. But we're not limited to high school. A much greater need we see they need to help for their kids the same the parents did. Most of them are in the same kind of lifestyles that their parents had. With this kind of formula, I can guarantee you that the recruiting will change in the way colleges recruit. Our ability to offer opportunities without more junior colleges will vastly improve. It would be able to balance the things we have to do to keep our colleges strong, and to also reproduce students in the high schools.

I cheer you on and I know your hearts are with us. We think funding is possible. We think we have given you a formula that also happens to be quite realistic. And I guarantee you in the future, we can again get ourselves back to school.

Thank you.

[The joint prepared statement of Charles B. Saunders, Edward M. Elmendorf and Julianne Still Thrift follows:]

STATEMENT

to the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

UNITED STATES HOUSE OF REPRESENTATIVES

June 4, 1991

by

Charles B. Saunders, Jr.
Senior Vice President, American Council on Education

Edward M. Elmendorf, Vice President
American Association of State Colleges and Universities

Julianne Still Thrift, Executive Vice President
National Association of Independent Colleges and Universities

On behalf of:

American Association of Community and Junior Colleges
American Association of State Colleges and Universities
American Council on Education
Association of American Universities
Association of Catholic Colleges and Universities
Association of Community College Trustees
Association of Urban Universities
Council of Independent Colleges
National Association for Equal Opportunity in Higher Education
National Association of College and University Business Officers
National Association of Independent Colleges and Universities
National Assn. of Schools and Colleges of the United Methodist Church
National Association of State Universities and Land-Grant Colleges

Mr. Chairman and Members of the Subcommittee:

We are pleased to present recommendations for major changes in the Pell Grant program: changes which represent a broad consensus of American higher education. The dozen associations joining in this testimony include public and independent, two-year and four-year colleges, and universities.

Our recommendations are designed to restore Pell Grants as the foundation of federal student aid policy. Over the past decade they have not kept pace with the needs of students, and have been overshadowed by the Guaranteed Student Loan program, which was never intended to provide low-income educational assistance, but to help middle-income students who did not meet the eligibility requirements for grant assistance. As a result, low-income students today face increasing debt burdens to obtain a higher education.

Since 1976, when the Pell program was expanded to cover all four classes of undergraduates, the maximum award has not increased sufficiently to keep pace with either the Consumer Price Index or college costs. In seven out of the last twelve years, the maximum either decreased or remained level. As a result, awards for both the poor and the middle-income have declined in value.

In 1978, Congress passed the Middle Income Student Assistance Act which extended eligibility to students from families earning $25,000 by moderating the Expected Family Contribution (EFC). In 1982, however, the EFC was increased to help curtail the federal deficit, and several hundred thousand middle-income students were eliminated from Pell eligibility. Many families cannot possibly meet the contribution the federal government expects of them.

If the maximum award had kept pace with the CPI since 1976, it would be $3300 in FY 91: in actuality, it is only $2400. In 1976, the maximum award covered 48% of the average cost of a four-year public college, 29 percent of the cost of a four-year independent institution, and 57 percent of the cost of a two-year public institution. In FY 91, it covers only 30 percent of the average cost of a four-year public institution,15 percent of the cost of an independent institution, and 39 percent of the cost of a two-year institution. If the maximum award had been increased to $3300 and the EFC had not been increased, families earning over $50,000 would be receiving Pell assistance today; in contrast, the effective cutoff for a minimum $200 award is $33,000.

The Recommendations:

Thus, our recommendations address the two overriding priorities for reauthorization of the Pell Grant program: to target more adequate grant assistance to the neediest students and reduce their reliance on borrowing, and to extend eligibility to more dependents of working poor and moderate-income families. The recommendations also seek to improve the reliability and equity of the program for all eligible students.

Clearly, the ultimate way to assure the reliability of the Pell Grant as the foundation of all student assistance would be to make the program an entitlement. However, it is not apparent to us how this can be done under the "Paygo" provisions of the Budget Enforcement Act, which require that any increase in entitlements over the inflation baseline must be offset by a decrease in spending cuts or an increase in taxes. We hope that the Subcommittee can find a solution to this dilemma.

In the meantime, we recommend that:

• **The Pell Grant maximum should be increased to $4,500, and adjusted annually thereafter based on the Consumer Price Index.** An increase of this magnitude is necessary not only to repair the erosion of the award which has occurred over the past decade and to maintain its value in future years, but also to reduce or eliminate borrowing for many students, particularly those who are at special risk of dropping out of postsecondary education.

• The Education Department should be required to borrow from the following year whenever Pell Grant appropriations are insufficient. Such language was passed by the House in its version of the Educational Excellence Act, which failed of enactment last year. The Department now has authority to issue a reduced payment schedule if it estimates that appropriations may be insufficient to provide the maximum intended by Congress. Revocation of this authority would permit students to make their educational plans in full confidence that they will receive the amount of Pell Grant assistance for which they are eligible.

These changes would bring the Pell Grant program as close to an entitlement as may be possible without providing offsetting spending cuts or tax increases. However, we believe it is essential that they be accompanied by a third, equally important change to improve the equity of the program:

• The current, complex formula for determining individual awards should be replaced with a simpler, more equitable formula under which the award would equal:

$2750 (living expenses) + 25 % of tuition (NTE$1750) - EFC.

Future increases would be split equally dollar for dollar between the living cost and tuition components of the formula.

The proposed formula would eliminate several inequities in the current formula, which requires three computations, with the award equalling the lesser of: Maximum - EFC; Cost - EFC; or 60 % of cost. The 60 percent-of-cost limitation reduces awards for very needy students at low-tuition institutions, so that classmates with higher family incomes receive a larger percentage of their need. The formula also lacks any significant tuition sensitivity, so that students with the same Expected Family Contributions generally receive the same awards regardless of their educational costs. Consequently, the program provides a significantly larger share of educational costs for students attending two-year and short-term vocational programs than for those enrolled in baccalaureate programs, who are receiving a declining proportion of Pell Grant assistance.

Principles of the Proposed Formula

To improve the equity of the distribution of Pell Grant funds, we identified five tests which the current formula fails:

1. The award should decrease as the Expected Family Contribution increases for students attending institutions with similar charges.

2. The neediest students at the lowest-priced institutions should have the highest percentage of need met.

3. The award should recognize the added expenses of students at higher-tuition institutions.

4. The award should be substantial enough to make the Pell Grant program an effective alternative to loans for low- and moderate-income students.

5. The formula should increase awards for students at all institutions, and provide more adequate resources to students attending baccalaureate as well as short-term programs.

Our proposed formula meets these tests. It would:

- **Significantly increase awards to all low-income Pell recipients, and expand eligibility for at least a minimum award to families with incomes up to $44,000** (somewhat below the 1979 eligibility level adjusted for inflation). This would increase the participation of working-class families and students in baccalaureate programs. As the program serves students better, the public's support of the program will increase.

- **Provide a more realistic living allowance** (about half the average cost of room, board, and books).

- **Increase the tuition-sensitivity of the award** in recognition of the needs of students in degree programs who pay higher direct educational expenses. The formula would take into account one quarter of the tuition paid up to $7,000. This will not provide an incentive for institutions to raise their tuitions, because $7,000 is less than the average tuition at independent colleges and only 25 percent of tuition dollars are covered.

- **Simplify the formula for determining awards,** and apply the same, single test to all students.

Simplification, however, is not the most important attribute of our proposed formula. Reauthorization of the Pell Grant program without changing the formula would compound current inequities which prevent all eligible students from receiving awards proportional to their needs.

To illustrate this point, Table A included in our testimony compares the distribution of awards under the current and proposed formulas.

Effects of the Proposed Changes:

The table shows that a student from a family earning $13,000 or less attending an institution with a tuition of $500 receives an award of only $1,740 now, because the award is reduced by the 60 percent of cost rule. Our proposal would substantially increase that student's award, to $2,875. Of this amount $2,750 would help defray living expenses, and $125 would cover 25 percent of tuition.

If that student from the $13,000 family attended an institution with a tuition of $5,200, our proposal would provide an even larger award of $4,050: $2,750 for living expenses, plus $1,300 (25 percent of $5,200) for tuition. Tuition sensitivity under the formula would only extend up to $7,000: that is, the tuition component of the award could not be greater that $1,750 or 25 percent of $7,000.

Under current law, a student from a family making $24,000 would receive an award of $1,400 no matter what the tuition of the institution attended. Our proposal would give the student an award of:

$1,875 at an institution with a tuition of $500;

$2,150 at an institution with a tuition of $1,600; and

$3,500 at an institution with a tuition of $7,700.

Thus, our formula would award aid with much greater equity for all eligible students, targetting more substantial grant assistance to the neediest while extending eligibility for a minimum grant to families with incomes up to $44,000. Three charts appended to our testimony compare the effect of the proposed formula with current law at community colleges, four-year public, and four-year private institutions. Additionally, it would do so at significantly lower cost than the existing formula. A $4500 maximum under the current formula would cost over $11 billion, and at the same time compound the existing inequities in the distribution of awards. We estimate that a $4500 maximum under our proposed formula would cost approximately $8.7 billion.

We would be glad to answer any questions.

TABLE A

COMPARISON OF CURRENT LAW AND PELL GRANT PROPOSAL @$4,500

PELL PROPOSAL: Formula: (25% of Tuition NTE $1,750 + $2,750) - EFC

Awards under Proposal

TUITION	EXPECTED FAMILY CONTRIBUTION (APPROXIMATE FAMILY INCOME) *									
	$0 ($13,000)	$500 ($19,000)	$1,000 ($24,000)	$1,500 ($28,000)	$2,000 ($32,000)	$2,500 ($35,000)	$3,000 ($37,000)	$3,500 ($40,000)	$4,000 ($43,000)	$4,300 ($44,000)
$0	$2,750	$2,250	$1,750	$1,250	$750	$250	$0	$0	$0	$0
$200	$2,800	$2,300	$1,800	$1,300	$800	$300	$0	$0	$0	$0
$500	$2,875	$2,375	$1,875	$1,375	$875	$375	$0	$0	$0	$0
$700	$2,925	$2,425	$1,925	$1,425	$925	$425	$0	$0	$0	$0
$1,000	$3,000	$2,500	$2,000	$1,500	$1,000	$500	$0	$0	$0	$0
$1,200	$3,050	$2,550	$2,050	$1,550	$1,050	$550	$0	$0	$0	$0
$1,600	$3,150	$2,650	$2,150	$1,650	$1,150	$650	$0	$0	$0	$0
$1,700	$3,175	$2,675	$2,175	$1,675	$1,175	$675	$0	$0	$0	$0
$2,700	$3,425	$2,925	$2,425	$1,925	$1,425	$925	$425	$0	$0	$0
$5,200	$4,050	$3,550	$3,050	$2,550	$2,050	$1,550	$1,050	$550	$0	$0
$7,700	$4,500	$4,000	$3,500	$3,000	$2,500	$2,000	$1,500	$1,000	$500	$200
$12,700	$4,500	$4,000	$3,500	$3,000	$2,500	$2,000	$1,500	$1,000	$500	$200

Current Law Awards
($2,400 Maximum)

TUITION	EXPECTED FAMILY CONTRIBUTION (APPROXIMATE FAMILY INCOME) *									
	$0 ($13,000)	$500 ($19,000)	$1,000 ($24,000)	$1,500 ($28,000)	$2,000 ($32,000)	$2,500 ($35,000)	$3,000 ($37,000)	$3,500 ($40,000)	$4,000 ($43,000)	$4,300 ($44,000)
$0	$1,440	$1,440	$1,400	$900	$400	$0	$0	$0	$0	$0
$200	$1,560	$1,560	$1,400	$900	$400	$0	$0	$0	$0	$0
$500	$1,740	$1,740	$1,400	$900	$400	$0	$0	$0	$0	$0
$700	$1,860	$1,860	$1,400	$900	$400	$0	$0	$0	$0	$0
$1,000	$2,040	$1,900	$1,400	$900	$400	$0	$0	$0	$0	$0
$1,200	$2,160	$1,900	$1,400	$900	$400	$0	$0	$0	$0	$0
$1,600	$2,400	$1,900	$1,400	$900	$400	$0	$0	$0	$0	$0
$1,700	$2,400	$1,900	$1,400	$900	$400	$0	$0	$0	$0	$0
$2,700	$2,400	$1,900	$1,400	$900	$400	$0	$0	$0	$0	$0
$5,200	$2,400	$1,900	$1,400	$900	$400	$0	$0	$0	$0	$0
$7,700	$2,400	$1,900	$1,400	$900	$400	$0	$0	$0	$0	$0
$12,700	$2,400	$1,900	$1,400	$900	$400	$0	$0	$0	$0	$0

Except for low-income students in low-tuition institutions, most students receive the same award regardless of educational costs.

*** Income figures represent a family of four with one person attending college, having no assets, based on academic year 1992-93 EFC.**

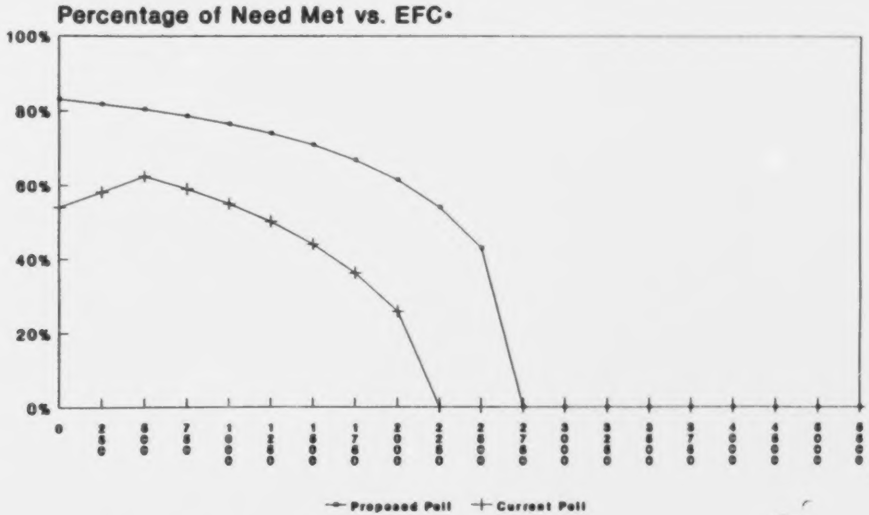
American Council on Education
Office of Legislative Analysis

5/30/91

Comparison of Proposed and Current Pell

Average Community College Tuition= $796

Prop. Award= ($2,750 + $796/4) -EFC



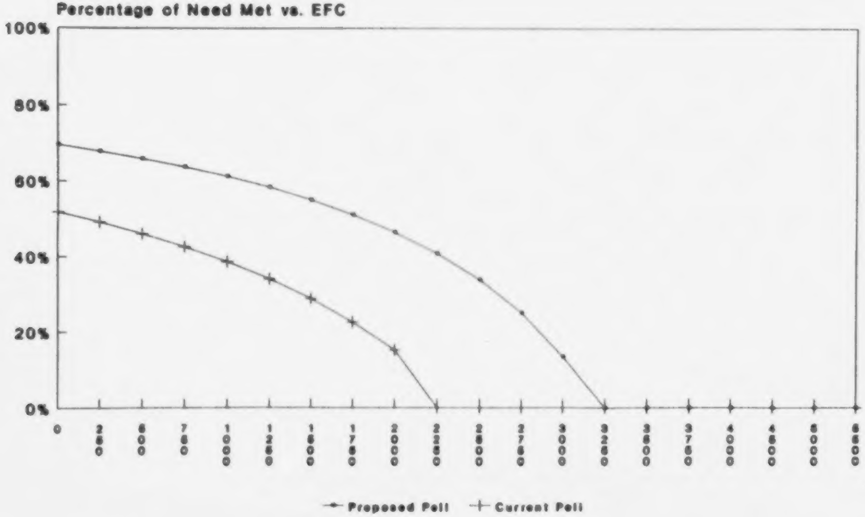
AASCU- Office of Governmental Relations

* Need= (Tuition+$2750) - EFC

Comparison of Proposed and Current Pell

Average Public Four Year Tuition= $1,878

Prop. Award= ($2,750 + $1,878/4) - EFC


Percentage of Need Met vs. EFC

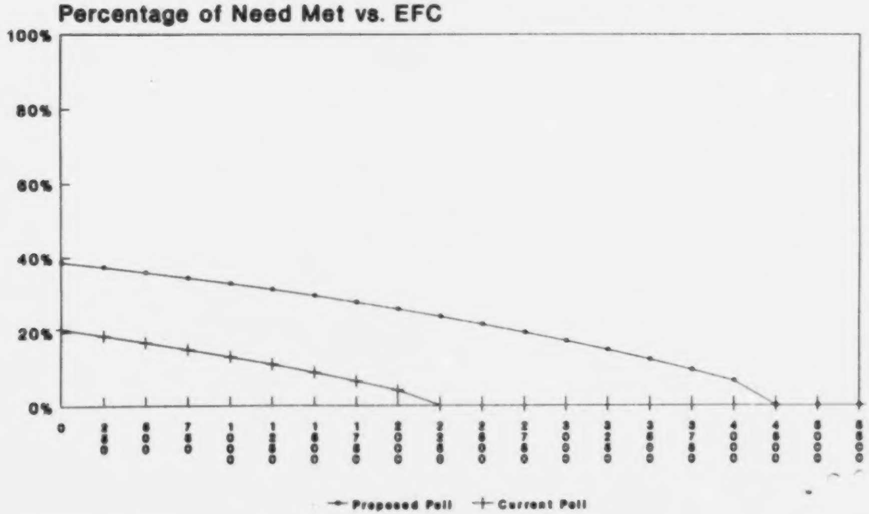
AASCU- Office of Governmental Relations

* Need= (Tuition+$2750) - EFC

Comparison of Proposed and Current Pell

Average Private Four Year Tuition=$8,868

Prop. Award= ($2,750 + $8,868/4) - EFC



AASCU- Office of Governmental Relations

• Need= (Tuition + $2,750) - EFC

Mr. Reed. Thank you.

We will hear all the testimony on the table, and then I will allow my colleagues to ask questions.

Dr. Albright.

STATEMENT OF ROBERT L. ALBRIGHT, JR., PH.D., PRESIDENT OF JOHNSON C. SMITH UNIVERSITY, CHARLOTTE, NORTH CAROLINA, REPRESENTING THE UNITED NEGRO COLLEGE FUND

Mr. Albright. Thank you very much, Mr. Chairman. My name is Robert Albright. I am president of Johnson C. Smith University in Charlotte, North Carolina. I am very pleased to be here today to represent the United Negro College Fund. I am especially pleased to be on the panel with so many of my friends and colleagues from higher education; although I may take a slightly different tact than they are taking today, I hope we will remain together after this testimony is over.

Mr. Chairman and friends, I am not going to try to bask you in charts and statistics because I know that your fine staffs have adequately prepared you, and you have studied these things very carefully. What I would rather do today is share with you some very keen concerns and observations that we at United Negro College Fund happen to have. Speaking more broadly for the needs of low-income students, I simply say this very important issue of higher education reauthorization, especially with regard to Title IV(a), student financial aid is perhaps the single most important issue this Congress will consider as we approach the year 2000.

As you know, we are a consortium of 41 institutions representing some 50,000 students in all 48 States and many foreign countries. At the present time, the United Negro College Fund has been able to take advantage, as well as perhaps as many other institutions to help student financial aid to enhance opportunities for genuinely low-income, academically at-risk students. At present, approximately 61 percent of our students receive Pell Grants. About 33 percent receive supplemental education opportunity grants. About 37 percent of our students participate in the college work study program, and roughly 51 percent of our students receive Stafford loans. We, of course, are very much concerned about this, because a number of our low-income students who are advised each year to take out Stafford loans to defray the cost of education has increased dramatically. In fact, in 1982 and 1983, only about 11,000 were required to take out Stafford loans due to the cost of education. Today, that has doubled to over 22,000.

We think this shift, the fundamental shift and focus on student aid and increasing need for our students to fall heavily into debt to finance the cost of higher education has had pretty dramatic effects which we think the market should not allow to go continually unchecked.

First, we believe this process of vast student loans where most of our students come to us with families with income of less than $16,000, we believe—needy students are unable to complete college; therefore, leaving owing loans.

Secondly, we believe it has a negative effect on and is key to retention and the average success of our students.

Third, the burden of having to borrow substantially in order to fund the costs of education indeed pose today, we believe, a barrier to access for higher education for many minority groups. Therefore, needy United Negro College Fund families, speaking specifically for our constituents, but perhaps even more broadly for low-income students throughout the Nation, we believe strongly we ought to return to basic principles as we consider the reauthorization of Titles for student aid. There are three or four principles we would like to share with you.

First, we think that loans should be eliminated. The guaranteed loans should be eliminated for very low-income and low-income students who come from families with income of $15,000 per year. Second, we urge that lending for all students from families with incomes between $30,000 and $35,000 should be deemphasized until an academic "track record" indicates the success of such students. Third, the United Negro College Fund feels very strongly that the Pell Grant must be made an entitlement for the reasons that my colleague from the United States Student Aid Association has spoken to very, very eloquently. Finally, we believe that it is imperative that the Pell Grant be restored in its proper place as the foundation program in the financial aid packaging.

Now you might ask: How will we accomplish these things? We have several implementation strategies for you. We believe and support an increase to Pell Grant awards to a minimum of $4,100. We think that such a maximum award would compensate the student need and the declining value of the purchasing power of the Pell Grant, and also continue to provide an access function.

We urge you to remember that in 1975, the Pell Grant award was $1,400. Since that time, college rates have increased almost 3 percent per year, and yet the maximum Pell in 1991-92 will only be $2,400.

We ask you to consider that if the Pell Grant maximum is set at the rate of inflation, the maximum award in 1991-92 would be over $4,000, rather than $2,400.

Finally, with respect to the importance of the declining value of the Pell Grant. In 1980, the Pell grant maximum of $1,750 covered almost 41 percent of college costs. But in 1989, the $2,300 maximum will cover only approximately 23 percent of the college costs. We have lost dramatically with the Pell Grant.

Secondly, we would urge you to consider the frontloading concept. I realize there has been several pieces of legislation concerning this. I know that some of you are not entirely convinced, but we would simply urge your consideration of emphasizing Pell Grants in freshman and sophomore years with a phase-in of loans in the junior and senior years. We do not think they need more of a student loan process.

We also think such process would encourage college attendance by more of the academically at-risk and facilitate retention to reduce the overall debt burden of low income. I must tell you, ladies and gentlemen, that I represent a historically black college of about 1,200 students. The average student at Johnson C. Smith University today with family incomes of about $15,000 per year leave our university owing some $13,000. That has several negative effects. One, many of the students who come to the Johnson C.

Smith University for a relatively low-cost private institutions with total fees of about $8,000 per year. Many of our students change career goals, because they no longer feel that they can afford to go to the helping—I call them the helping professions, teaching, nursing, social work, some of those other very important things which are so important to our society, because they are faced with having to pay back massive loans of $13,000 or more when faced with making only $15,000, $16,000 in these areas.

Secondly, we witness the notion that many youngsters are opting not to go into higher education because of the fear of having to be responsible for such high loans. So we think it is very important that we provide as much money as possible for these youngsters who have the ability and the motivation, but perhaps not the wherewithal to attend college.

Third, and I know this is somewhat controversial, we really urge you to consider making the Pell Grant an entitlement. We believe the only way to address the credit problems of an institutional grant and an excessive student body of the low-income students is to enact entitlements. We recognize, of course, the Pell Grant entitlement costs money. We recognize that there is a budget strain of new entitlement. But members of this subcommittee, as we approach the year 2000, at a time when one-third of our nation may be the products of minority communities, we may be facing our last real chance to educate and train a work force for international commerce in the future if this nation is to remain competitive. We may as well be approaching our last chance to fulfill the dream of equal opportunity and higher education. Perhaps most important, we may be facing our last genuine opportunity to address the issues which loom so far in our society today. To remove blacks, Hispanics, and Native Americans from the shelves of idleness, imprisonment and hopelessness. Again, I recognize the cost is an issue. But gentlemen and ladies, I hope that you will not make it the issue. I am convinced that we must ask for entitlement. And somehow, this committee and Congress of the United States, you will find a way of getting entitlement a reality. But we can't afford to let this opportunity as we approach reauthorization slip by again without entitlement.

Let me summarize. One, we are recommending the Pell Grant become a true entitlement with a maximum award of $4,400. Second, the United Negro College Fund urges that you simplify the Federal student aid application process by doing two things: by providing a revised, simplified, Federal form; families with incomes below $15,000 with only six or seven aid elements; require applicants to supply 1040 or 1040A forms or other evidence that they are receiving AFDC or food stamps or subsidized housing.

Secondly, we urge that you require students applying for aid beyond their freshman year, who receive financial aid, to supply updated information only rather than having them submit a whole new application. You may not be aware, but on many college campuses, the simple application process is enough to discourage students from applying to receive any applications for financial aid.

Third, we urge you to reduce the paperwork burdens for institutions with large numbers of aid recipients. We find that number as large as over 50 percent for schools with 3 year record of no audit exceptions.

Let me conclude by expressing my deep appreciation to this committee for the opportunity to testify. We urge this committee to exert strong bi-partisan leadership in support of a Pell Grant entitlement. We also remind you, in the words of a very wise man who once said, "The landscape of history was littered with the skeleton of fine ideas, which died from absence of courage."

I trust this committee will be bold, visionary and courageous as you address the issues, the philosophy and delivery of our important entitlement for the student financial programs.

Again, thank you for the opportunity to testify. I should be pleased to answer any questions you may have.

[The prepared statement of Robert L. Albright, Jr. follows:]

United Negro College Fund, Inc.

TESTIMONY OF ROBERT L. ALBRIGHT, JR., Ph.D.
PRESIDENT OF JOHNSON C. SMITH UNIVERSITY
CHARLOTTE, NORTH CAROLINA

ON BEHALF

THE UNITED NEGRO COLLEGE FUND, Inc.

JUNE 4, 1991

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION, I AM ROBERT L. ALBRIGHT, PRESIDENT OF JOHNSON C. SMITH UNIVERSITY IN CHARLOTTE, NORTH CAROLINA. I APPEAR TODAY ON BEHALF OF THE FORTY-ONE MEMBER INSTITUTIONS OF THE UNITED NEGRO COLLEGE FUND (UNCF), OUR ALMOST 50,000 STUDENTS FROM 48 OF THE FIFTY STATES, 30 FOREIGN COUNTRIES AND U.S. POSSESSIONS, AND THE MEN AND WOMEN WHO SERVE THESE STUDENTS AS CHIEF EXECUTIVE OFFICERS AND OTHER ADMINISTRATORS, FACULTY, STAFF AND TRUSTEES.

UNCF MEMBER INSTITUTIONS HAVE TAKEN SERIOUSLY, OVER THE YEARS, THE FEDERAL GOVERNMENT'S STATED COMMITMENT TO EQUAL OPPORTUNITY IN HIGHER EDUCATION AND WE HAVE PROVIDED "ACCESS," "CHOICE," AND "QUALITY" TO BACCALAUREATE-DEGREE SEEKING YOUNG PEOPLE WITH THE INTEREST, DESIRE, AND ACADEMIC POTENTIAL TO SUCCEED IN COLLEGE. SIXTY-ONE PERCENT OF ALL UNCF STUDENTS RECEIVE PELL GRANTS, 33 PERCENT RECEIVE SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOGs), 37 PERCENT RECEIVE COLLEGE WORK STUDY (CWS), AND 51 PERCENT RECEIVE STAFFORD (GUARANTEED STUDENT) LOANS, WITH MOST OF THEM RECEIVING MULTIPLE FORMS OF FEDERAL STUDENT AID AS WELL AS INSTITUTIONAL SUPPORT AND STATE GRANT ASSISTANCE. ALTOGETHER, 90 PERCENT OF UNCF STUDENTS RECEIVE FEDERAL STUDENT AID. THIS FEDERAL AID HAS SPURRED ENROLLMENTS AMONG TRADITIONAL COLLEGE AGE AFRICAN AMERICAN STUDENTS. DURING THE PAST FOUR YEARS, 31 OF OUR 41 MEMBER INSTITUTIONS HAVE EXPERIENCED ENROLLMENT GAINS OF 16 PERCENT -- AND THE SAME NUMBER REPORT TWO PERCENT INCREASES FOR AY 1989 OVER AY 1988.

IT IS THE 51 PERCENT FIGURE -- THE DRAMATIC GROWTH IN STUDENT BORROWING -- THAT MAKES THE SUBJECT OF TODAY'S HEARING SO CRITICAL. MY UNCF PRESIDENTIAL COLLEAGUES AND I, VIEW WITH ALARM AND TREPIDATION, THE FACT THAT THE NUMBER OF STUDENT BORROWERS IN THE GSL PROGRAM AT UNCF INSTITUTIONS HAS ALMOST DOUBLED FROM 11,000 IN 1982-83 TO ALMOST 22,000 IN 1988-89. INCREASINGLY, UNCF STUDENTS -- LIKE MANY OTHER LOW AND MIDDLE INCOME STUDENTS THROUGHOUT HIGHER EDUCATION -- ARE BECOMING INDENTURED SERVANTS, VIRTUAL SLAVES TO THE FEDERAL GOVERNMENT'S FAILURE TO KEEP FAITH WITH OUR NATIONAL COMMITMENT TO EQUAL OPPORTUNITY. THAT COMMITMENT WAS FIRST ARTICULATED BY PRESIDENT DWIGHT D. EISENHOWER WHEN HE SUBMITTED THE NATIONAL DEFENSE EDUCATION ACT TO CONGRESS: "...WE MUST INCREASE OUR EFFORTS TO IDENTIFY AND EDUCATE MORE OF THE TALENT OF THE NATION. THIS REQUIRES PROGRAMS THAT WILL GIVE ASSURANCE THAT NO STUDENT OF ABILITY WILL BE DENIED AN OPPORTUNITY FOR HIGHER EDUCATION BECAUSE OF FINANCIAL NEED." SINCE THAT TIME EVERY PRESIDENT, EXCEPT RONALD REAGAN, HAS WORKED WITH CONGRESS TO PRESERVE AND ENHANCE "ACCESS" AND SOME MEASURE OF "CHOICE" IN HIGHER EDUCATION.

WHILE PRESIDENT EISENHOWER COULD NOT HAVE ANTICIPATED CONGRESS' ACTION IN 1972 CREATING THE EDUCATION OPPORTUNITY GRANT PROGRAM, LATER THE BASIC EDUCATIONAL OPPORTUNITY GRANT (NOW THE PELL GRANT) PROGRAM, HIS STATEMENT LAID THE GROUNDWORK FOR TODAY'S FEDERAL PROGRAMS DESIGNED TO ELIMINATE COLLEGE COSTS AND FAMILY FINANCIAL CIRCUMSTANCES AS BARRIERS TO POSTSECONDARY EDUCATION. IN A SENSE, ALTHOUGH WE HAVE SUCCEEDED IN PROVIDING ACCESS TO SOME, WE ARE FAR SHORT OF OUR GOAL. EXCESSIVE RELIANCE ON LOANS IS PART OF THE LOAN DEFAULT PROBLEM, PART OF THE RETENTION OR ACADEMIC "SUCCESS" PROBLEM, AND MOST IMPORTANTLY -- A BARRIER TO ACCESS TO HIGHER EDUCATION, ESPECIALLY FOR MINORITIES.

THE EXCESSIVE RELIANCE OF STUDENT BORROWERS ON LOANS IS SELF-EVIDENT. CUMULATIVE LOAN VOLUME HAS GROWN FROM $21.2 BILLION IN 1980 TO $101.6 BILLION IN 1989! ONE CLEAR CONSEQUENCE OF THIS GROWTH IN STUDENT BORROWING IS THE INCREASE IN STUDENT LOAN DEFAULTS -- WHILE THE PERCENTAGE OF DEFAULTS HAS REMAINED VIRTUALLY STATIC (10.1. PERCENT IN 1980, 12.4 PERCENT IN 1985, AND 14.9 PERCENT IN 1989) -- THOSE PERCENTAGES REPRESENT A RELATIVELY STABLE PORTION OF AN INCREASING VOLUME OF OUTSTANDING LOANS. WE ARE ENGAGED IN A MAJOR ENTERPRISE. MORE THAN 10,00 LENDERS PARTICIPATE IN THE GSL PROGRAM; 4.7 MILLION STUDENT LOANS ARE MADE EACH YEAR; ACCOUNTING FOR $12.7 BILLION IN ACCESS CAPITAL FOR STUDENTS; WITH AVERAGE LOANS OF $2,425 FOR UNDERGRADUATE STUDENTS AND $5,747 FOR GRADUATE STUDENTS. HIGHER EDUCATION IS A DEBTOR NATION AND OUR STUDENTS -- WHO ARE THOUGHT TO BE INVESTMENTS IN FACT ARE INDIVIDUALS WITH MORTGAGED FUTURES -- SOME WITH NO REAL HOPE OF REALIZING THEIR DREAMS WHICH HAVE BEEN SACRIFICED ON THE ALTAR OF THE NATION'S UNBALANCED BUDGET. WE HAVE SHIFTED FROM RELYING ON GRANTS FOR LOWER INCOME STUDENTS TO RELIANCE ON LOANS.

THE PROBLEM, IN MY VIEW, IS BEST UNDERSTOOD BY FOCUSING ON THE LOAN VEHICLE AS THE OPERATIVE MECHANISM FOR A STUDENT'S FINANCIAL AID PACKAGE. A CHEMISTRY MAJOR WHO IS A PRE-ENGINEERING STUDENT AT JOHNSON C. SMITH, FOR EXAMPLE, WILL INCUR THE SAME LEVEL OF INDEBTEDNESS AS A SIMILARLY SITUATED LOW-INCOME STUDENT WHO PLANS TO BECOME A TEACHER IN NORTH CAROLINA -- YET THEIR INCOME EXPECTATIONS ARE QUITE DIFFERENT AFTER THEY GRADUATE. A TRUCK DRIVING STUDENT AT TOM'S TRUCK INSTITUTE MAY PAY THE SAME $5,500 FOR A SIX-WEEK COURSE (WITH AN ANTICIPATED STARTING SALARY OF $16,000 DELIVERING NORTH CAROLINA FURNITURE TO THE NATION), WHILE A STUDENT A BETSY'S BEAUTY ACADEMY WILL PAY THE SAME $5,000 FOR A NINE-MONTH BASIC COSMETOLOGY COURSE. I AM RELIABLY ADVISED THAT A FIRST-YEAR LICENSED COSMETOLOGIST WILL EARN FAR LESS THAN $16,000 TO START.

THE POINT IS THE SAME IN BOTH EXAMPLES -- THE STUDENT HAS TO BORROW THE SAME AMOUNT IN ORDER TO DEVELOP THE EARNING CAPACITY UPON WHICH THE LOAN WAS MADE IN THE FIRST PLACE, ALTHOUGH THE BORROWER'S ABILITY TO REPAY IS GOVERNED BY A PREDETERMINED SET OF FACTORS (WHICH ARE UNRELATED TO THE AMOUNT LOANED)!

MY POINT IS SIMPLE. IN THE PROCESS OF DESIGNING AND REFINING FEDERAL STUDENT AID, WE NEED TO GET BACK TO SOME BASIC PRINCIPLES THAT GUIDED THEIR DEVELOPMENT AND INITIAL IMPLEMENTATION. FIRST, LOANS NEED TO BE ELIMINATED FOR VERY LOW INCOME AND LOWER INCOME STUDENTS (THOSE FROM FAMILIES WITH INCOMES OF $15,000 OR LESS). SECOND, LENDING FOR ALL STUDENTS FROM FAMILIES WITH INCOMES BELOW $30-$35,000 SHOULD BE DE-EMPHASIZED UNTIL AN ACADEMIC "TRACK

RECORD" INDICATES THAT THEY ARE LIKELY TO SUCCEED IN POSTSECONDARY EDUCATION. THIRD, AND MOST IMPORTANTLY FOR ME AND FOR UNCF, THE PELL GRANT MUST BE MADE AN ENTITLEMENT.

I COME TO THESE CONCLUSIONS AFTER LONG, CAREFUL AND THOUGHTFUL STUDY AND OUT OF THE EXPERIENCE OF ENGAGING IN POLICY FORMULATION WITH RESPECT TO THESE PROGRAMS AT HEW, AFTER ADMINISTERING THESE PROGRAMS AT A TRADITIONALLY WHITE FOUR-YEAR PUBLIC INSTITUTION AND AT A FOUR-YEAR, PRIVATE HISTORICALLY BLACK INSTITUTION. I AM CONVINCED THAT THE NATION'S CURRENT PUBLIC POLICY POSTURE OF -- FORCING LOWER INCOME STUDENTS TO BORROW EXTENSIVELY FOR UNCERTAIN EDUCATIONAL AND PROFESSIONAL FUTURES -- IS PART OF THE PROBLEM. WE ARE THEN, IN A SENSE, FACING A REAL CHOICE BETWEEN 'PAYING NOW OR PAYING LATER' WHEN WE CHOOSE TO MAKE STUDENT LOANS TO LOWER INCOME, EDUCATIONALLY 'AT-RISK' STUDENTS ENTERING POSTSECONDARY EDUCATION. THE SAME IS TRUE FOR THOSE PLANNING TO BEGIN CAREERS IN LOWER PAYING OCCUPATIONS. WE EITHER ADD $2.7 BILLION TO THE PELL GRANT PROGRAM, OR WE PAY THAT AMOUNT IN LOAN DEFAULT COSTS, OR WE CURTAIL ACCESS!

DE-EMPHASIZING LOANS FOR LOWER INCOME STUDENTS

STUDENT LOAN DEFAULTS HAVE PREOCCUPIED BOTH THE EXECUTIVE BRANCH AND THE CONGRESS AS A SOLUTION IS SOUGHT TO A PROBLEM PRIMARILY DRIVEN BY FEDERAL POLICY AND THE FAILURE TO APPROPRIATE ADEQUATE FUNDS FOR THE PELL GRANT AND SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT (SEOG) PROGRAMS. THE PIECEMEAL SOLUTIONS OFFERED IN MOST OF THE LEGISLATION DEBATED IN CONGRESS OR INCORPORATED IN THE JUNE 5, 1989 FINAL REGULATION ON STUDENT LOAN DEFAULT PREVENTION TREAT THE SYMPTOMS, NOT THE PROBLEMS WHICH CAUSE DEFAULT IN THE FIRST PLACE. REAUTHORIZATION OF THE HIGHER EDUCATION ACT REPRESENTS AN OPPORTUNITY TO ADDRESS THESE CONCERNS FORTHRIGHTLY.

THE PROBLEM OF STUDENT LOAN DEFAULTS IN THE STAFFORD STUDENT LOAN (FORMERLY THE GUARANTEED STUDENT LOAN) PROGRAM CRYSTALLIZED WHEN THE CONGRESS APPROPRIATED $1.9 BILLION IN FY 1990 TO PAY DEFAULTED LOAN COSTS. STUDENT LOAN DEFAULTS, HOWEVER, DID NOT EMERGE OVERNIGHT AND ARE MORE A PRODUCT OF FEDERAL POLICY-MAKING AND REDUCED APPROPRIATIONS FOR GRANT PROGRAMS RESULTING FROM THE BUDGET DEFICIT, THAN ANY SINGLE FACTOR ASSOCIATED WITH POSTSECONDARY EDUCATION INSTITUTIONS. STUDENT LOAN DEFAULTS ARE ESPECIALLY PROBLEMATICAL FOR THE NATION'S HISTORICALLY BLACK COLLEGES AND UNIVERSITIES BECAUSE OF THE "HIGH RISK," ECONOMICALLY DEPRESSED STUDENTS WE SERVE. WE ARE NOT ALONE IN THAT REGARD -- COMMUNITY COLLEGES, PRIVATE CAREER SCHOOLS, AND URBAN FOUR-YEAR INSTITUTIONS FACE THE SAME SITUATION.

FIRST, THE DRAMATIC EXPANSION OF STUDENT BORROWING TO PAY FOR COLLEGE PARALLELS HIGHER THAN THE COST OF LIVING INCREASES IN COLLEGE TUITION OVER THE LAST DECADE. SPIRALING COLLEGE COSTS AND STUDENT BORROWING HAVE MORTGAGED THE FUTURES OF A WHOLE GENERATION OF COLLEGE STUDENTS AND GRADUATES. COLLEGE DEBT AFFECTS THE

DECISION TO ATTEND COLLEGE (AND WHAT TYPE OF COLLEGE); IT AFFECTS PERSISTENCE THROUGH THE ACADEMIC PROGRAM; AND IT AFFECTS CAREER CHOICE AND POST-BACCALAUREATE EDUCATION. RESTORING THE PELL GRANT TO ITS PROPER PLACE AS THE FOUNDATION PROGRAM IN FINANCIAL AID PACKAGING IS ESSENTIAL.

WE ALSO TEND TO OVERLOOK THE DECLINING VALUE OR PURCHASING POWER OF THE PELL GRANT AND ITS IMPACT ON ACCESS AND COLLEGE CHOICE. IN 1975, WHEN THE PELL GRANT (THEN REFERRED TO AS THE BASIC GRANT) WAS FIRST FULLY-FUNDED, THE MAXIMUM AWARD WAS $1400. SINCE THAT TIME, COLLEGE COSTS HAVE RISEN APPROXIMATELY 8 PERCENT EACH YEAR, FASTER THAN THE RATE OF INFLATION. IF THE PELL GRANT MAXIMUM HAD SIMPLY RISEN AT THE RATE OF INFLATION, THE MAXIMUM AWARD SHOULD BE SLIGHTLY MORE THAN $4,000, INSTEAD OF THE $2,400 MAXIMUM AWARD FOR AY 1991-92 THAT STUDENTS MUST TRY AND STRETCH TO PAY COLLEGE COSTS TODAY, OR RISK GOING INTO DEBT. THE PELL GRANT MAXIMUM ($1750), IN 1980 COVERED 41 PERCENT OF COLLEGE COSTS; IN 1983 THE $2100 MAXIMUM WOULD PAY FOR 32 PERCENT OF COLLEGE COSTS; AND IN 1989 THE $2,300 MAXIMUM PAID FOR 26 PERCENT OF COLLEGE COSTS.

WHILE I AM NOT HERE TO ADVOCATE A MINIMUM PELL GRANT FOR SOMEONE WHOSE INCOME IS $49,615, I DO BELIEVE THAT THE $3,700 MAXIMUM PELL RECOMMENDED FOR THE VERY POOR BY THE ADMINISTRATION, IS ALSO APPROPRIATE FOR THE NEAR POOR. IN FACT, THE MAXIMUM SHOULD BE $4,400 AND OUGHT TO BE AVAILABLE TO THOSE WITH INCOMES UP TO $10,000. MINIMUM AWARDS OF $400 SHOULD EXTEND -- IN MY PERSONAL VIEW -- TO FAMILY INCOMES THROUGH $35,000.

THE FRONTLOADING CONCEPT AS AN ALTERNATIVE TO FRESHMAN BORROWING

A NUMBER OF CREDIBLE ALTERNATIVES TO THE CURRENT 'BORROW NOW, PAY LATER' FEDERAL POLICY HAVE BEEN OFFERED, DUE TO THE INABILITY OF THE PRESENT DISCRETIONARY PELL GRANT PROGRAM TO KEEP FAITH WITH ITS INTENDED BENEFICIARIES. MANY LOW AND MIDDLE INCOME STUDENTS, WHO DEPEND ON GRANT AID TO GAIN ACCESS TO AMERICA'S COLLEGES AND UNIVERSITIES, HAVE BEEN FORCED TO BORROW EXTENSIVELY TO PAY COLLEGE COSTS. CHAIRMAN FORD AND SENATOR PAUL SIMON INTRODUCED COMPANION BILLS IN THE HOUSE AND SENATE DURING THE 101ST CONGRESS, RESPECTIVELY, TO "FRONTLOAD" GRANT AID IN THE FIRST TWO YEARS OF ACADEMIC STUDY, TO RESTRICT STUDENT BORROWING TO THE JUNIOR AND SENIOR YEARS OF SCHOOL (WHEN THEY WILL HAVE DEMONSTRATED ACADEMIC PERSISTENCE), AND TO INCREASE THE MAXIMUM PELL GRANT AWARD SIGNIFICANTLY. UNCF BELIEVES THAT "FRONTLOADING" CAN ENCOURAGE COLLEGE ENROLLMENT, REDUCE OR ELIMINATE THE NEED FOR ACADEMICALLY AT-RISK STUDENTS TO BORROW SIGNIFICANT SUMS UNTIL THEY HAVE MADE THE ACADEMIC AND SOCIAL TRANSITION TO COLLEGE LIFE, AND COULD REDUCE THE OVERALL INDEBTEDNESS OF LOW INCOME STUDENTS. WE BELIEVE, HOWEVER, THAT NO HARD AND FAST RULE RESTRICTING FRESHMEN AND SOPHOMORES TO GRANT AID ONLY, AND FORCING JUNIORS AND SENIORS

TO USE LOANS TO PAY FOR THE LATTER YEARS OF THEIR COLLEGE CAREERS IS WORKABLE. THEREFORE, UNCF RECOMMENDS EMPHASIZING PELL GRANTS IN THE FRESHMAN AND SOPHOMORE YEARS WITH A PHASE-IN OF EMPHASIZING LOANS IN THE JUNIOR AND SENIOR YEARS.

THE "FRONTLOADING" CONCEPT HAS BEEN ENDORSED BY THE BUSINESS AND HIGHER EDUCATION FORUM IN ITS JUNE 1990 REPORT THREE REALITIES -- MINORITY LIFE IN THE UNITED STATES -- "REPLACING LOANS WITH GRANTS DURING THE FIRST TWO YEARS OF COLLEGE WILL ENCOURAGE LOW INCOME STUDENTS TO FORGE AHEAD WITH THEIR EDUCATION. STUDENTS FROM MANY POOR FAMILIES, CONCERNED ABOUT LARGE LOAN BURDENS, AND ANXIOUS, -- LIKE ALL STUDENTS -- ABOUT THEIR ABILITY TO SURVIVE IN COLLEGE, NOW NEVER CONSIDER COLLEGE ATTENDANCE AS A SERIOUS POSSIBILITY. BUT WITH TWO SUCCESSFUL YEARS BEHIND THEM, AND THE NEWLY REALISTIC PROSPECT OF GRADUATION AND EMPLOYMENT AHEAD OF THEM, LOANS LOSE MUCH OF THEIR INTIMIDATION." ACE PRESIDENT ROBERT ATWELL, AS WELL AS UNCF PRESIDENT BENJAMIN PAYTON OF TUSKEGEE UNIVERSITY SERVED ON THIS PANEL OF DISTINGUISHED EDUCATORS.

THE ONLY REAL SOLUTION -- A PELL GRANT ENTITLEMENT

THE ONLY WAY TO ADDRESS THE TWIN PROBLEMS OF INSUFFICIENT GRANT AID AND EXCESSIVE STUDENT BORROWING AMONG LOWER INCOME STUDENTS IS TO ENACT A PELL GRANT ENTITLEMENT. THE CURRENT SCHEME ENSURES THAT WE EITHER 'PAY NOW OR PAY LATER!' THE HIGHER EDUCATION COMMUNITY -- WHICH HAS DANCED AROUND THE QUESTION OF A PELL GRANT ENTITLEMENT IN ITS HIGHER EDUCATION ACT REAUTHORIZATION PROPOSALS -- MUST REALIZE THAT IF YOU GIVE A PARTY, YOU HAVE TO PAY THE BAND! YES A PELL ENTITLEMENT COST MONEY, YES WE HAVE A BUDGET AGREEMENT THAT CONSTRAINS THE CREATION OF NEW ENTITLEMENTS, AND YES WE HAVE A SECRETARY WHO APPEARS DISTRACTED BY THE POLITICAL ATTRACTIVENESS OF AN ISSUE -- "CHOICE" IN PRIMARY EDUCATION, WHICH IS NO CHOICE FOR THE URBAN POOR AND FOR MINORITIES -- AND MAY NOT BE FOCUSING ON THE MOST IMPORTANT REAUTHORIZATION OF THE HIGHER EDUCATION ACT SINCE 1965. WE NEED THE SECRETARY AND THE PRESIDENT'S TO PAY ATTENTION TO THE COMMUNITY AND THE CONGRESS, BUT WE ALSO NEED TO TAKE OURSELVES SERIOUSLY AND OUR STUDENT'S NEEDS SERIOUSLY. WE MUST LOOK BEYOND THE POLITICS OF NOW, AND THE POLITICS OF THE 1992 PRESIDENTIAL RE-ELECTION. AS THE LATE COACH GEORGE ALLEN WAS FOND OF SAYING "THE FUTURE IS NOW."

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, IT IS ALSO OUR LAST CHANCE TO EDUCATE AND TRAIN AMERICA'S WORK FORCE BEFORE THE YEAR 2000; IT IS ALSO AMERICA'S LAST CHANCE TO FULFILL IT'S COMMITMENT TO EQUAL OPPORTUNITY IN HIGHER EDUCATION AND TO LIVE OUT ITS CREED "...THAT ALL MEN ARE CREATED EQUAL, THAT THEY ARE ENDOWED BY THEIR CREATOR WITH CERTAIN INALIENABLE RIGHTS, THAT AMONG THESE ARE LIFE LIBERTY AND THE PURSUIT OF HAPPINESS;" AND IT ALSO OUR LAST CHANCE TO REMOVE BLACK AND HISPANIC AMERICANS FROM THE SHELF OF IDLENESS AND IMPRISONMENT -- AS PART OF THE UNDERCLASS -- AND PLACE THEM IN

THE WORK-PLACE WERE THEY CAN BE PROUD OF THEMSELVES, LEAD THEIR HOUSEHOLDS, AND CONTRIBUTE IN A MEANINGFUL WAY TO THE GROWTH AND DEVELOPMENT OF OUR SOCIETY. I WANT THEM TO PAY SOCIAL SECURITY AND INCOME TAXES; NOT DRAW WELFARE OR RECEIVE UNEMPLOYMENT COMPENSATION!

IT MAY BE TOO MUCH TO ASK (FOR A PELL GRANT ENTITLEMENT); BUT I AM SURE THAT IF WE DON'T ASK FOR IT -- WE CERTAINLY WON'T GET IT. THE NATION'S LOW AND MIDDLE INCOME STUDENTS NEED TO HAVE US ASK FOR WHAT THEY NEED, IF THE PRESIDENT AND THE CONGRESS CANNOT FIND A WAY TO PAY FOR THE ENTITLEMENT -- I WILL BE BOTH DISAPPOINTED AND SURPRISED!

ONE FINAL POINT DESERVES MENTIONING. THE DEPARTMENT OF EDUCATION HAS FOCUSED ITS ENTIRE STUDENT LOAN DEFAULT PREVENTION EFFORT ON COLLEGES AND UNIVERSITIES AND PRIVATE CAREER SCHOOLS WITH HIGH DEFAULT RATES. BECAUSE BLACK COLLEGES, COMMUNITY COLLEGES AND URBAN PUBLIC FOUR-YEAR INSTITUTIONS TEND TO COST LESS AND ENROLL THE MOST SIGNIFICANT NUMBERS OF LOW INCOME STUDENTS: (INCLUDING BLACK AMERICANS), STUDENT LOAN DEFAULT PREVENTION SEEMS TO BE TARGETED TOWARD POOR, MINORITY STUDENTS. FOR EXAMPLE, THE FEDERAL GOVERNMENT ENCOURAGES INSTITUTIONS TO EXPAND EDUCATIONAL OPPORTUNITIES FOR LOW INCOME STUDENTS, ESPECIALLY MINORITIES. THIS MEANS TAKING SOME RISKS WITH SOME STUDENTS WHO MAY ENTER AN INSTITUTION WITH ACADEMIC DEFICIENCIES. BECAUSE STUDENT AID IS NOW PRIMARILY LOAN AID RATHER THAN GRANT AID, THE CONSEQUENCE OF STUDENT FAILURE IN AN UNDERTAKING THE GOVERNMENT HAS ENCOURAGED IS A HIGH DEFAULT RATE! THE INSTITUTION IS THEN THE VICTIM OF THE GOVERNMENT'S "ACCESS" POLICY. FURTHER, WHEN DEFAULT RATES ARE INACCURATE AND INCOMPLETE, BUT PUBLISHED BY THE DEPARTMENT OF EDUCATION ANYWAY, LASTING DAMAGE IS DONE TO THE INSTITUTION IN THE LOCAL COMMUNITY.

ALL OF THESE FACTORS, LEAD UNCF MEMBER INSTITUTIONS TO RECOMMEND THE FOLLOWING:

- **MAKE THE PELL GRANT PROGRAM A TRUE ENTITLEMENT WITH A $4,000 MAXIMUM AWARD BEGINNING IN FY 1994.** THE BUDGETARY IMPACT OF THIS PROPOSAL MIGHT BE PHASED IN BY APPLYING THE ENTITLEMENT TO FRESHMEN STUDENTS ONLY IN THE FIRST YEAR, THEN ADDING A CLASS OF STUDENTS EACH YEAR THEREAFTER.

- **SIMPLIFY THE FEDERAL STUDENT AID APPLICATION PROCESS.** TWO THINGS COULD BE DONE IMMEDIATELY TO MAKE IT EASIER FOR LOW INCOME STUDENTS TO APPLY FOR AND RECEIVE TITLE IV ASSISTANCE, WHILE PRESERVING THE INTEGRITY OF THE AID PROGRAMS: (1) PROVIDE A REVISED SIMPLIFIED FEDERAL FORM FOR FAMILIES WITH INCOMES BELOW $15,000, WITH SIX OR SEVEN DATA ELEMENTS, AND REQUIRE APPLICANTS TO SUBMIT

THEIR 1040 OR 1040A FORM OR OTHER EVIDENCE THAT THEY RECEIVE AFDC OR FOOD STAMPS, LIVE IN FEDERALLY-SUBSIDIZED HOUSING, ETC. **(THOSE STUDENTS WITH INCOMES BELOW $10,000 SHOULD RECEIVE THE MAXIMUM AWARD)**; AND (2) REQUIRE STUDENTS APPLYING FOR AID FOR THEIR SOPHOMORE, JUNIOR OR SENIOR YEAR (WHO PREVIOUSLY RECEIVED TITLE IV AID AS FRESHMEN) TO SUPPLY UPDATED INFORMATION ONLY AND THE MOST RECENT PARENTAL/STUDENT TAX RETURN INSTEAD OF A WHOLE NEW APPLICATION.

* REDUCE PAPERWORK BURDENS IN THE FINANCIAL AID PROGRAMS, ESPECIALLY FOR INSTITUTIONS WITH SIGNIFICANT NUMBERS OF AID RECIPIENTS IN THEIR STUDENT POPULATION (I.E. 50% OR GREATER), BY ELIMINATING THE VALIDATION REQUIREMENT FOR THOSE SCHOOLS WITH A THREE-YEAR UNBLEMISHED RECORD OF PERFORMANCE AND NO AUDIT EXCEPTIONS.

* **ELIMINATE THE INCOME CONTINGENT LOAN (ICL) PROGRAM. THIS PROGRAM REPRESENTS A SERIOUS PITFALL FOR LOW INCOME STUDENTS BECAUSE IT APPEARS ATTRACTIVE YET IS LIKELY TO TRAP STUDENTS WITH LESSER EARNINGS GROWTH IN SERIOUS LONG-TERM DEBT. FOR EXAMPLE: A STUDENT WHO BORROWED $13,000 (UNDER THE ICL PROGRAM) WOULD BE REQUIRED TO REPAY OVER $48,000 IN PRINCIPAL AND ACCUMULATED INTEREST (USING THE PROGRAM'S ASSUMPTIONS AS TO INCOME AND PROJECTED MINIMUM PAYMENTS) IF HE OR SHE BEGAN AN EMPLOYMENT CAREER WITH A SALARY OF $10,800.00, OR WOULD BE REQUIRED TO REPAY $25,700 IN PRINCIPAL AND INTEREST OVER TEN YEARS IF THE STARTING SALARY WAS $23,100. IN CONTRAST, THAT SAME STUDENT WOULD PAY BACK ABOUT $18,925 OVER TEN YEARS IN THE STAFFORD LOAN PROGRAM.**

* MERGE THE ICL CONCEPT INTO A TOTALLY CAMPUS-BASED PERKINS LOAN PROGRAM. FEDERAL CAPITAL CONTRIBUTIONS (FCC) FOR THE PERKINS PROGRAM WOULD CEASE AT THE END OF FY 1994 AND CAMPUSES WOULD ADMINISTER THE PROGRAM SOLELY BASED ON EFFECTIVELY COLLECTING FROM STUDENTS WHO HAVE BORROWED FROM THE PROGRAM. INSTITUTIONS MIGHT BE PERMITTED, AT THEIR DISCRETION, TO ALLOW UP TO TEN PERCENT OF THEIR PERKINS LOANS TO BE SUBJECT TO INCOME CONTINGENT REPAYMENT. THE FY 1990 FCC WAS $135,129,000 AND WAS ALLOCATED TO 1,559 INSTITUTIONS, INCLUDING ONLY 15 UNCF INSTITUTIONS. TWENTY-SIX OTHER UNCF INSTITUTIONS DO PARTICIPATE IN THE PERKINS PROGRAM. TUSKEGEE UNIVERSITY AND XAVIER UNIVERSITY, AS WELL AS MOREHOUSE COLLEGE RECEIVE THE BULK OF THE $1.3 MILLION IN FCC MADE AVAILABLE TO UNCF MEMBER COLLEGES THROUGH THE FY 1990 APPROPRIATION. THE TOTAL OUTSTANDING LOAN BALANCE IS $4.9 BILLION.

- **ELIMINATE THE EXCLUSIVE AND ARBITRARY USE OF STUDENT LOAN DEFAULT RATES TO EXCLUDE INSTITUTIONS FROM PARTICIPATION IN TITLE IV PROGRAMS.** UNCF CERTAINLY UNDERSTANDS THE DEPARTMENT'S DESIRE TO REDUCE STUDENT LOAN DEFAULTS. WE SHARE THAT CONCERN. HOWEVER, THE CRITERIA USED TO TARGET INSTITUTIONS FOR SPECIAL ATTENTION OR EXCLUSION FROM THE PROGRAM MUST BE SENSITIVE TO THE MISSION AND PURPOSE OF AN INSTITUTION, AS WELL AS THE INSTITUTION'S ROLE IN CREATING AND SOLVING THE LOAN DEFAULT PROBLEM.

THE INSTITUTION'S ROLE IN STUDENT LENDING WAS LIMITED, PRIOR TO 1986, TO CERTIFYING TO THE LENDER THAT THE STUDENT WAS ENROLLED ON AT LEAST A HALF-TIME BASIS. A COLLEGE OR UNIVERSITY'S ROLE IN COUNSELLING THE STUDENT OR ADMINISTRATIVE ACCOUNTABILITY FOR TITLE IV FUNDS PLACES THE COLLEGE OR UNIVERSITY IN A SECONDARY OR TERTIARY ROLE IN THE STUDENT LOAN DEFAULT CHAIN OF COMMAND. YET, FOR THE PAST TWO YEARS THE DEPARTMENT USING INACCURATE AND INCOMPLETE DATA HAS PUBLISHED DEFAULT RATES WHICH MALIGN AND CAST ASPERSIONS UPON A COLLEGE'S GOOD NAME IN THE ACADEMIC AND ITS OWN LOCAL COMMUNITY. WHAT ROLE DOES THE INSTITUTION REALLY HAVE IN MAKING OR COLLECTING THE LOAN? COLLEGES ARE THIRD-PARTY BENEFICIARIES WITH A SMALL ROLE IN THE PROCESS, THAT NOW ARE PUBLICLY DENIGRATED WHEN A STUDENT WE ARE ENCOURAGED TO ADMIT SUBSEQUENTLY DEFAULTS.

UNCF ALSO HAS SERIOUS RESERVATIONS ABOUT THE USE OF ARBITRARY LOAN DEFAULT RATE THRESHOLDS TO DETERMINE INSTITUTIONAL PARTICIPATION IN THE VARIOUS PROGRAMS ESPECIALLY INASMUCH LOAN DEFAULT RATES ARE MISLEADING ANYWAY. SMALLER INSTITUTIONS, WHICH PURPOSEFULLY KEEP COSTS LOW, ARE ESPECIALLY DISADVANTAGED BY THIS METHOD OF VIEWING LOAN DEFAULTS. MORE IMPORTANTLY, USING DEFAULT RATES AS A TOOL DEFLECTS ATTENTION AWAY FROM THE REAL PROBLEM. FOR EXAMPLE, IN THE JULY, 1989 REPORT, THE GENERAL ACCOUNTING OFFICE (GAO), FROM THE GAO ENTITLED "GUARANTEED STUDENT LOANS -- ANALYSIS OF STUDENT DEFAULT RATES AT 7,800 POSTSECONDARY SCHOOLS" NOTED THE DEFAULT RATES AND DOLLARS IN DEFAULT AT ALL INSTITUTIONS SURVEYED. THE MISLEADING NATURE OF LOAN DEFAULT RATES IS READILY EVIDENT.

A GOOD EXAMPLE WOULD BE INSTITUTIONS WITH DEFAULT RATES BETWEEN 3 AND 6 PERCENT. BLUEFIELD COLLEGE IN VIRGINIA HAS A BORROWER DEFAULT RATE OF 3.13 PERCENT AND HAS $1,250 IN DEFAULT, WHILE BOWLING GREEN STATE UNIVERSITY IN OHIO HAS A BORROWER DEFAULT RATE OF 3.38 PERCENT AND HAS A $448,000 IN DEFAULT. OR, ITT TECHNICAL INSTITUTE IN DAYTON, OHIO HAS A DEFAULT RATE OF 5.04 PERCENT AND $66,777 IN DEFAULT, WHILE THE UNIVERSITY OF PENNSYLVANIA HAS A 5.96 DEFAULT RATE WITH $1,178,964 IN DEFAULT.

ELIMINATING THE ARBITRARY USE OF LOAN DEFAULT RATES TO PENALIZE INSTITUTIONS OF HIGHER EDUCATION FOR STUDENT BEHAVIOR IS THE WRONG POLICY AND IS WRONG-HEADED. WHILE WE SUPPORT A COMPREHENSIVE

PROGRAM TO ENSURE PROGRAM INTEGRITY -- THE DEPARTMENT OF EDUCATION'S RECOMMENDATIONS IN THIS AREA WON'T SOLVE THE PROBLEM AND THEY PUNISH INNOCENT INSTITUTIONS IN THE PROCESS. UNCF SCHOOLS DO NOT ORIGINATE GSL LOANS, THEY DO NOR GUARANTY THE LOANS AND THEY ARE NOT RESPONSIBLE FOR COLLECTING THEM. WE ARE SIMPLY THIRD-PARTY BENEFICIARIES FOR THE STUDENTS WHO QUALIFY AND BRING THE PROCEEDS OF THE LOAN TO US. WE ARE EDUCATORS, NOT BANKERS. THAT'S ALL WE WANT TO BE.

WE URGE THIS COMMITTEE TO EXERT STRONG BI-PARTISAN LEADERSHIP IN SUPPORT OF A PELL GRANT ENTITLEMENT. UNCF BELIEVES THE BUDGETARY IMPACT OF THIS NECESSARY STEP CAN BE EASED BY "PHASING-IN" THE ENTITLEMENT OVER FOUR YEARS -- FRESHMEN FIRST, THEN SOPHOMORES, JUNIORS AND SENIORS -- IN MUCH THE SAME WAY THE ORIGINAL BASIC GRANT WAS PHASED IN. WE MUST START NOW, TOMORROW IS TOO LATE FOR THE NATION AND HER CHILDREN!

Chairman FORD. Thank you.
Mr. Gieger.

STATEMENT OF KEITH GEIGER, PRESIDENT, NATIONAL EDUCATION ASSOCIATION, WASHINGTON, DC

Mr. GEIGER. Thank you, Congressman Ford and members of the subcommittee. I am Keith Geiger, president of the National Education Association, which represents 2 million education employees. Furthermore, for this year, representing over 80,000 higher education members.

The Higher Education Act is the cornerstone of our national postsecondary education policy. In 1965, enactment of the Act marked a typical chapter in our nation's history. It meant that, henceforth, academic ability rather than income shall be the key factor in whether or not an individual has access to postsecondary education.

NEA believes that no qualified student should be denied access to postsecondary education opportunities because of income. Yet, over the past decade, appropriations for postsecondary student grant programs have not kept pace with the escalating cost of attendance. Our postsecondary faculty members unquestionably see what economic constraints do to a student's academic career. If they are working long hours, they cannot concentrate on their studies. Limited access to financial assistance can adversely influence their choice of an appropriate institution. They frequently made academic and career choices that would avoid an overwhelming debt burden, or prevent them from pursuing careers, such as teaching, that would make it virtually impossible to pay off that college debt.

Moreover, any members in elementary and secondary ranks have a strong interest in the issue of access to postsecondary education. In working to achieve the national goal of increasing the high school completion rate, secondary teachers must be able to assure successive students will have access to postsecondary education opportunities. If we are going to have national goals, we must have national incentives to meet those goals. More than ever, access to postsecondary education is a necessary component to economic security and upward mobility.

In 1971, median earnings for working males with a high school diploma were 81 percent of the earnings of a college graduate. By 1987, median income for those with only a high school diploma was less than 69 percent of the earnings of a college grad. Despite the resources devoted to Federal postsecondary grant and loan programs, college attendance rates are still directly linked to income levels. Individuals from upper income levels are four times as likely to enroll in postsecondary programs as are individuals with the lowest income levels. These income disparities are also reflected in enrollment according to racial and ethnic background. Some 36 percent of college age whites in the higher education institution in 1989 compared to 24 percent of black and 29 percent Hispanics. The percentage of blacks and Hispanic high school graduates going on to college declined between 1976 and 1988.

Moreover, middle income families are increasingly hard-pressed in these spiralling tuitions. College costs skyrocketed by 75 percent times the increase in median family income between 1980 and 1988.

How does the Federal Government respond to this triple threat? College costs out-stripping family income, declining college attendance for minorities, and a widening income gap between college and non-college graduates? They have done it very simply. By reducing Federal support for higher education, especially for the grant programs. In the last decade, total Federal spending for post-secondary education plummeted by 24.3 percent after inflation.

Reduced Federal funding has made deficit spending a fact of life for most postsecondary students. As we said earlier, six of 10 Federal grant recipients at public institutions must supplement this assistance to borrowing. Median debt levels of college graduates increased by 33 percent in constant dollars between 1977 and 1986. The poorer students have the largest cumulative indebtedness. For low-income students, the Pell Grant program is no longer viable. For middle income students, the Pell Grant program is no longer available.

NEA recommends that the Pell Grant program be made an entitlement. That the maximum Pell Grant be restored to its 1980 value by setting it at $4,300, or we'll take $4,400, or we'll take $4,500. This shows that we didn't put our testimony together together for the 1992–93 academic year. Moreover, we recommend that the Pell Grant maximum be increased by $200 in each subsequent year of the authorization.

By every measure available, the value of Pell Grant has declined between 1979 and 1989, the value of the average Pell Grant declined from about 23 percent of the cost of attending to about 18 percent. Over that same period, the percentage of college freshmen who received a Pell Grant declined from 32 percent to 22 percent. The eligibility standards for middle income students is out of kilter with present economic realities.

Further, NEA recommends raising the limit of Pell Grant from 60 percent of the students' cost of attendance to at least 75 percent of the cost. Additionally, the current limits on expenses for room and board are arbitrarily and artificially low. Raising these limits will help the lowest-income students attending lower-cost colleges. NEA also recommends a variety of changes to reduce fraud and abuse and to tighten up on institutional eligibility.

In conclusion, the budget squeeze facing students is getting worse. As State governments struggle to close record State budget deficits, 30 States who have deficits at least right now, public college tuition will increase between 10 and 15 percent this fall with some States raising tuition to over 20 percent. Without substantial increases in Pell Grant for low income students and respiration of middle-income eligibility, too many academically capable students will be shut out of postsecondary education, while others will be priced out of the institution that best serves their academic goals.

A renewed commitment is needed to restore Pell Grants as the true foundation of our nation's goals of equal education opportunity.

Thank you.

[The prepared statement of Keith Geiger follows:]

LEGISLATIVE INFORMATION

TESTIMONY
OF THE
NATIONAL EDUCATION ASSOCIATION

ON PELL GRANTS

BEFORE THE
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
OF THE
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

PRESENTED BY KEITH GEIGER
PRESIDENT

JUNE 4, 1991

Mr. Chairman and Members of the Subcommittee:

I am Keith Geiger, President of the National Education Association, which represents the largest number of higher education personnel in the nation, with approximately 80,000 higher education members included in 500 higher education locals. This membership includes both two and four-year institutions and several statewide university systems including those in California, Florida, and Hawaii.

NEA's diverse membership – 2.1 million in public elementary and secondary, vocational, and postsecondary schools, including educational support staff, higher education faculty, retirees, and staff, and college students in teacher education programs--gives NEA a unique perspective for commenting on the programs in the Higher Education Act.

As students seeking to complete teacher preparation programs, as professionals seeking continuing education opportunities, as professors devoted to the ideal of equity, as veteran K-12 practitioners determined to see their students continue their studies, and as middle-class parents planning for their own children's postsecondary education, NEA members have a unique commitment to the goal of ensuring that equal educational opportunity does not fall victim to unequal economic capability.

Before providing our specific comments on the Pell Grant program, I would like to briefly review the overall problem of access to postsecondary education. Unfortunately, even after two decades of federal student assistance, college attendance rates are still directly linked to income level. The General Accounting Office reports that individuals from upper income levels are four times as likely to enroll in postsecondary programs as are individuals from the lowest-income levels. Recent data from the Congressional Research Service demonstrate a similar pattern with about 16 percent of 18-24 year-olds from families with incomes below $15,000 enrolled in higher education in October 1989, as compared to over 55 percent of those from incomes over $50,000.

When enrollment figures are broken down by race, additional disturbing facts appear, namely that Blacks still attend college at a significantly lower rate than whites. Only 24 percent of Black 18-24 year olds attended a higher education institution in 1989, compared to 36 percent of whites. In fact, the percentage of both Black and Hispanic high school graduates going on to college actually declined between 1976 and 1988.

It is a shocking and appalling situation, Mr. Chairman, when the number of young Black males in prison, on parole, or on probation (609,690) exceeds the number enrolled in college (436,000).

Hispanic enrollment rates are even lower than that of Blacks, dropping to 28.7 percent in 1989, compared to 30.8 percent for Black and 38.8 percent for whites, according to the American Council on Education.

Not only low-income and minority students find it difficult to pay for college costs. Middle-income families are increasingly hard-pressed to meet spiraling tuitions. According to College Board data, median family income increased by only 6.7 percent after inflation from 1980 to 1988, while 4-year public college costs went up 33.6 percent and private 4-year college costs skyrocketed by 44.7 percent above inflation for this same period. An earlier focus on meeting the needs of those middle-income families, the 1978 Middle Income Student Assistance Act, allowed families earning up to $25,000 to receive a Pell grant. This income would correspond to almost $49,000 today after inflation.

Mr. Chairman, more than ever, access to postsecondary education is a necessary component to economic security and upward mobility in today's society. According to Frank Levy of the University of Maryland, an expert in income distribution in the United States, a considerable gap opened up in the 1980s between the earning power of college graduates and those with high school diplomas. Says Levy, "It is much harder for a male high school graduate to be in the middle class today than it was 10 years ago." In 1971, median earnings for working males with a high school diploma were $24,581 compared to $30,377 for college graduates, expressed in constant 1989 dollars. By 1979 the gap had declined with the high school graduate making $23,939 and the college graduate down to $26,598. But by 1987, the trend reversed. College graduates' incomes rose 10 percent during the 1980s to $29,299, but high school graduates saw their real wages drop almost 16 percent to $20,210--barely two-thirds as much as the more highly educated group.

How has the federal government responded to this is triple threat of college costs out-stripping family income, declining college attendance for minorities, and a widening income gap between college and non-college graduates? Very simply--by reducing federal support for higher education, especially for grant programs. According to the College Board, between 1980 and 1989, total federal postsecondary student aid declined by 3 percent after adjusting for inflation. Even more startling is a just released report from the Education Department's National Center for Education Statistics, which found that total federal spending for postsecondary education plummeted by 24.3 percent after inflation in the last decade.

NEA believes there are two primary reasons for declining access to postsecondary education. First, the eroding value of grant aid in relation to increased college costs is clearly a major part of the problem. And second, the mixture of grants and loans in federal financial assistance is weighted heavily toward repayable loans.

Reduced federal funding has made deficit spending a fact of life for most postsecondary students. For others, who want to attend college but do not wish to risk substantial personal debt, reduced federal funding is the primary reason they choose not to attend.

Six of 10 federal grant recipients at public institutions must now supplement this assistance through borrowing. The average amount borrowed during the freshman year (the year when students are most at risk of failing) is $1800.

At both public and private institutions, loans have become the primary vehicle for financing education. The longer this ever-increasing dependence on loans prevails, the stronger the disincentive to attend a postsecondary institution becomes.

A recent Department of Education study found that median debt levels of college graduates increased by 33 percent in constant dollars between 1977 and 1986. In fact, by the late 1980s, according to American College Testing, the poorest students had the largest cumulative indebtedness. Current federal aid funding policies force prospective college students, especially those who have known financial hard times, toward a risk/benefit analysis. And increasing numbers of these students are concluding that the risk is too great.

Most students are not gamblers. And the more we ask them to gamble, the more we're gambling with America's future. This is not just idle speculation. A recent USA Today survey of high school graduates found that one-third had put off college because of the expense.

Further evidence of the over-reliance on loans at the expense of grants is the remarkable shift in the grant/loan balance. According to the College Board, in the mid-1970's 76 percent of federal student aid was in the form of grants and 10 percent in loans. For the 1987-1988 school year, that proportion had totally reversed, with 67 percent of federal aid in loans and only 29 percent in grants.

PELL GRANT RECOMMENDATIONS

NEA strongly believes the purpose of student financial aid programs has been perverted and literally turned upside down. The Stafford loan program, originally conceived as a program to assist middle-income families in spreading out college costs over a longer period of time, is now a major component of financing for even the poorest students. Pell grants, which should serve as the foundation for all aid programs, are subject to the vagaries and uncertainties of the yearly appropriations process while the loan program is an entitlement and the fastest growing program. The only way to resolve this dichotomy and reverse the decline in access for minority and low-income students is to provide for substantial increases in the Pell maximum award and to establish the program as a true entitlement.

Mr. Chairman, for low-income students, the Pell Grant Program is no longer viable. For middle-income students, the Pell Grant Program is no longer available.

Specifically, NEA recommends that the Pell maximum be set at $4300 for the 1992-93 academic year and increase $200 for each subsequent year. Not only will raising the maximum award help the poorest students, it will also result in increasing Pell grants for moderate-income students and providing Pell grants eligibility for student from families with incomes over $30,000.

By every measure, the value of Pell grants has declined. The actual Pell Grant maximum, while rising from $1800 to $2400 between FY79 and FY91, declined as a percentage of average college costs from 46 percent to 25 percent. In constant dollars (after accounting for inflation), the Pell maximum decreased by 28 percent. Even the average award covered only about one-fifth of total costs for a four-year public institution in 1989, down from about one-fourth of the cost in 1980, according to CRS.

Pell grants now serve only about 25 percent of all students. Indeed, according to the Higher Education Research Institute, in 1979 nearly 32 percent of all freshman received a Pell grant, while by 1989, this percentage was less than 22 percent.

Another result of the erosion of Pell funding is the virtual abandonment of middle-income students. The Middle-Income Student Assistant Act in 1979 established $25,000 as the income cut-off for Pell eligibility. If this cutoff had kept pace with inflation, not the even larger increase in college costs, it would be almost $49,000. Yet the effective cut-off today is about $36,000, a drop after accounting for inflation of over $13,000 from the eligibility level established twelve years ago.

The $4300 amount is proposed because, based on College Board data for average costs of attendance for public four-year schools, a

$4300 maximum would equal the same percentage (72 percent) of such costs (projected to be $5919 in Academic Year 1992-93, assuming 6 percent increases per year from 1989-90 costs) as the actual $1750 maximum in AY80 did of the then $2422 four-year public cost, thereby fully restoring the value of the Pell grant maximum to its 1980 level.

Unfortunately, the Administration proposes to pay for increased Pell awards for the very poorest students by cutting back on awards for those from families with incomes above $10,000! This level is below the $12,675 poverty level for a family of four in 1989. Over 400,000 students would completely lose their Pell grants. NEA strongly urges you to reject this proposal.

Mr. Chairman, NEA also recommends a $1000 higher maximum award for first year students. Since most students who drop out do so in the first year, and if they have loans are likely to default, low-income first year students should be discouraged from borrowing. In addition, a recent study found that while 90 percent of students who receive a grant during the first year were still enrolled during the second semester, only 75 percent of those not receiving grants return. A higher first-year maximum Pell should help lower defaults, while improving student retention rates.

NEA strongly believes that Pell Grants must be made an entitlement. It defies logic that the largest loan program should be an entitlement while Pell Grants remain subject to the yearly uncertainty of the appropriations process. In order to restore the appropriate grant/loan balance and assure that the maximum award will be fully funded, we strongly urge the creation of an entitlement. If new revenues are needed to cover the increased costs of an entitlement, NEA recommends that Congress consider raising the top corporate income tax rate, creating an income tax surcharge on the wealthiest taxpayers, or limiting tax loopholes.

In addition, an entitlement will aid in encouraging low-income and minority students in junior and senior high school to go on to college by creating stability and predictability so that they know what their Pell Grant awards would be if they enroll in college.

The current discretionary nature of Pell Grants has resulted in the statutory maximum being funded only three times in 18 years. Currently, the actual Pell maximum award of $2400 is $700 below the authorized level of $3100.

Another crucial aspect of improving the Pell Grant Program relates to how the award relates to a student's costs of attendance. Current law has two factors that both singly and in combination artificially reduce Pell Grants for the poorest students at lower-cost institutions.

First, current law mandates that a Pell grant cannot exceed 60 percent of a student's costs of attendance. NEA recommends raising this percentage to at least 75 percent of cost.

Raising the limit on the percentage of cost that the maximum Pell award can cover will help the lowest-income students attending lower cost schools. The 60 percent limit serves only to make Pell awards less income-sensitive, resulting in students with the lowest income receiving in many cases the same awards as moderate-income students at the same institution. One consequence of the 60 percent cost limit can be seen by the fact that according to ACT, in 1986, about half of all college freshmen from poverty income families received financial support from their parents, even though both the Pell formula and the Congressional methodology require no parental contribution from such families.

Not only is the 60 percent limit on cost of attendance unfair, its negative effects are compounded by the fact that the statute sets arbitrary and artificially low limits on room and board charges used in calculating a Pell Grant. Currently, if a student does not live with his or her parents, only $2400 is used as the allowable cost for room, board, books, supplies, and transportation expenses. Since the mean typical room and board charge alone at a public college was $2400 in 1989, NEA recommends that the allowable cost be set at least at $3000 for 1992-93. Similarly, we recommend raising the allowable costs for students living with their parents to $2200 from the existing level of $1800. Both of these amounts should be increased by $100 per year for subsequent years.

The effect of these changes can be seen by looking at the case of a student attending a low-cost public institution with tuition of $500. Under current law, a student from the lowest-income family would have his/her Pell calculated using a total cost of $2900 ($2400 cost of attendance plus $500 tuition) and the Pell grant could be no more than 60 percent of this amount, or $1740.

Utilizing NEA's proposed figures of a $3000 cost of attendance, the total cost for this student would be set at $3500 and if a Pell grant could pay up to 75 percent of cost, the award would be $2625, almost a $900 increase.

A related proposal relates to allowable child care costs. Current law sets a ceiling of $1000 on such costs. Under NEA's proposal, the child care allowance would be raised to a maximum of $3000 per minor dependent. The national average for day care costs is over $3000 per year for toddlers, with infant care being even higher. Establishing this more realistic child care component for inclusion in cost of attendance will help ensure that an adult with young children will not be deterred from pursuing postsecondary education because of child care expenses.

The discussion of child care costs points to the need to ensure that Pell Grants adequately serve the needs of today's students. More than 5 million students, over 40 percent of all college students, are over 24 years of age. And over 70 percent of these students work at least part time. Many of these older students are struggling to balance work, family, and education responsibilities. In fact, two-thirds of students over 34 years of age are women and 80 percent of these attend part time. NEA therefore urges you to retain Pell Grant eligibility for less than half-time students (LTHT). While the 1986 amendments authorized aid for LTHT students, the provision has been suspended since FY90. Of the LTHT students who did receive Pell Grants, over 40 percent of them were over 30 years old. Our proposal continues eligibility for only the neediest students who are making satisfactory progress toward a degree.

I note, Mr. Chairman, that Rep. Mink (D-HI) and 13 other members of this committee introduced HR 2331 which would retain LTHT student eligibility.

Another aspect of Pell Grants that must be addressed is the uncertainty about a family's home or farm equity in calculating the expected family contribution. NEA believes that the net value of a student's family's home or family farm should not be considered as an asset for moderate income families. Too many working class families have had the value of their homes soar in the past decade due to the jump in housing prices; however, even though these families have equity available for borrowing against, many may not be able to afford home equity loan payments. By setting an income ceiling of $40,000 for exclusion of home or farm equity, wealthier families would still be expected to tap into such equity to help finance their children's education.

Finally, Mr. Chairman, we have two specific recommendations for simplification of the Pell Grant application process.

First, NEA believes that students from families who are receiving welfare benefits have already demonstrated that they are poor, and should not be required to navigate the maze of financial aid applications to prove again that they are needy. Therefore we recommend, in order to simplify the process for poor families, that AFDC recipients be automatically eligible for the maximum Pell Grant award.

In order to simplify the application process for other students, NEA recommends that the Secretary develop a procedure so that those students who have received a Pell grant and who are applying for an award in the subsequent year, and whose family's financial circumstances haven't changed, can simply certify this fact and not have to resubmit the entire range of income and asset data.

Just this March, the Advisory Committee on Student Financial Assistance found, "Reapplication for continuing students represents perhaps the most significant redundancy in the current system. For example, Department of Education data show that over 50 percent of the students eligible for Pell Grants in 1988-89 reapplied in 1989-90, with calculated contributions changing minimally for students across income ranges. Most low-income students, AFDC recipients, non-federal tax filers, and filers of simple federal tax returns experienced virtually no change. Streamlining reapplication--that is, permitting continuing students to update existing data--would have a powerful effect on simplifying the delivery system for all students, especially for low-income populations."

Secondly, NEA recognizes that our recommendations will substantially increase Pell Grant funding levels. Therefore, we have recommended a variety of changes to reduce fraud and abuse and tighten up on institutional eligibility, in order to reduce other costs. The following is a brief summary of these proposals.

O NEA shares the concerns that have been expressed by many about the need to reduce fraud and abuse in the Title IV programs. There have been far too many instances of for-profit schools victimizing students by not providing the training that was promised, of schools going out of business, and of outright criminal activities. Current law places too much emphasis on accreditation as the basis for institutional eligibility for financial aid programs.

We recommend, therefore, that before an accrediting agency can be recognized by the Secretary, it must meet specified criteria such as reviewing the administrative and financial capability of an institution; performing periodic reviews and inspections with emphasis on loan default rates, dropout rates, and job placement rates; and promptly reporting to the Secretary any negative actions regarding an institution's accreditation. In addition, state agencies which license or accredit schools should also be subject to certain criteria, focusing on consumer protection, before the Secretary recognizes them.

- Institutions should be required to refund, on a pro-rata basis, tuition and fees to students who withdraw before completing 50 percent of the course. Refunds would be first credited to pay off student loans. This change will both reduce default costs and protect students who withdraw from a school if they are dissatisfied with its education program, or for other valid reasons.

- Those institutions that advertise job placement rates should be required to make available to prospective students state licensing requirements for the job the proposed training is designed for. This will help students evaluate whether the course of instruction is relevant to licensing requirements.

- NEA believes that institutions should be prohibited from using commission-basis sales persons for purposes for promoting the institution, or for determining that a prospective student qualifies for aid. Too many students have been victimized by overzealous contractors who are compensated solely by commission. In these cases, unscrupulous contractors may provide false or exaggerated claims to students.

- All institutions should be required to submit revenue, expenditure, and faculty salary data to the Department of Education. NEA believes this information is useful for institutional comparisons and research into patterns of financing of higher education.

O Courses of instruction which comprise solely of correspondence courses should no longer be eligible for Title IV programs. Too much potential for abuse exists in such programs since course length is almost impossible to verify. This change alone has the potential to save hundreds of millions of dollars. The proprietary school whose students received the most federal aid was a correspondence truck-driving school. This one institution received almost $250 million from 1987-1989. The school receiving the second largest amount of Title IV aid--$160 million--was also a correspondence truck-driving school.

In conclusion , Mr. Chairman, the budget squeeze facing students, particularly in the public sector, is getting worse as state governments struggle to close record state budget deficits. Public college tuitions will increase between 10 and 15 percent this fall, with some states raising tuition over 20 percent.

Without substantial increases in Pell Grants for low-income students and restoration of middle-income eligibility, too many academically capable students will be shut out of postsecondary education while others will be priced out of the institution that best serves their academic goals.

A renewed commitment is needed to restore Pell Grants as the true foundation of our nation's goal of equal education opportunity.

Thank you.

Chairman **Ford**. Thank you.
Mr. Martin.

STATEMENT OF DALLAS MARTIN, PRESIDENT, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS, WASHINGTON, DC

Mr. **Martin**. Mr. Chairman and members of the subcommittee, I am Dallas Martin, president of the National Association of Student Financial Aid Administrators, representing over 3,300 institutions of postsecondary education. I am pleased today to have the opportunity to share with you our recommendations on how we would improve the Pell Grant program.

In anticipation of these reauthorization hearings, our association held a series of public hearings across the country in conjunction with our regional and State associations. During the course of those hearings, one of the most frequently stated concerns by our members was the need to address the growing imbalance of available funding between the grant and loan programs. Repeatedly, aid administrators from all types of institutions across the country told us that the Pell Grant program is simply not serving as a viable foundation program for students with demonstrated financial need. They also told us that, based upon their data, that Pell Grant funding for the institutions had declined between one-third and one-half of what it was in 1979.

By comparison, they noted that the current national Pell Grant award of $2,400 does not even begin to cover the same percentages of these student educational costs as they did 10 years ago.

They also told us that many of the students who come from moderate and middle-income families no longer qualify for the Pell Grant program.

From their experiences, the Pell Grant program no longer provides either the certainty nor the adequate level of support to make it the foundation programs it was designed to be. In turn, these aid administrators are forced to provide increasing numbers of very needy low-income students at the start of their academic careers, not only with a Perkins Loan, but also the maximum Stafford Loan as well. The result is that some of these higher need students are simply choosing not to pursue postsecondary education, or are becoming so indebted earlier in their undergraduate degrees that it is affecting their education choices and decisions to consider graduate studies.

Research has also shown that loans are negatively associated with incentives to encourage low-income minority students to pursue higher education. Therefore, today, when the percentage of loans is increasing as a part of the student's overall financial aid package it is not surprising that the overall percentage of minority postsecondary school enrollment is declining during the time with which the percentage of minority high school graduates is increasing.

If we hope to provide all of our citizens with an opportunity to obtain the fullest measure of education that will enable them to participate equally within our society, then it is essential that we restructure the Pell Grant program to insure adequate and predictable funding from year to year. To help insure this is accomplished, our association proposes that the Pell Grant maximum award be funded at $4,400 for the 1992–93 award year, and then automatically indexed to rise at least $200 each year thereafter, but in no case, less than the consumer price index.

Further the policy goal of the Pell Grant program is that it should cover up to 60 percent of a student's cost of attendance. Our projections suggest that the average annual cost of a 4 year public college in 1992–93 will be approximately $7,400. Therefore, 60 percent of that cost would be $4,440. Further, we are proposing legislation which would insure full funding of the maximum award each year, thereby giving assurance to current and future generations of students that they can count on the Pell Grant program to be the foundation program that it must be. This committee, in 1988, recognized the necessity to change the funding structure of the Pell Grant Program from a discretionary to a mandatory account when H.R. 4986 was cleared for floor action. As you recall, the committee at that time endorsed making the Pell Grant Program an entitlement. In our association, the majority of our members supported that recommendation.

We also propose imposing some further restrictions, however, upon the program. These changes would include:

Increasing the Pell grant minimum award from its current $200 to $400.

We would also propose eliminating correspondence study credit on programs of study that do not have at least two semester of residential component from being considered eligible programs under the Pell Grant program.

Third, we would recommend eliminating the awarding of Pell Grants to students who are enrolled for less than half-time.

Fourth, we would limit Pell Grant eligibility for students who are incarcerated to only include direct educational costs associated with their course of study, i.e., tuition, required fees, books and supplies.

In addition to these eligibility limitations, our association would also recommend three additional changes to the program. First, we would recommend that the 5 year undergraduate limitation found in Section 411(c) be eliminated. While we support the concept that the program should be restricted to undergraduate students, we do not feel that this profession is necessary. Section 484(c), which defines the conditions that all Title IV students must meet in order to make satisfactory progress provides adequate protection; therefore, this additional time restriction is not necessary and only results in unnecessary paperwork and duplicative monitoring.

Second, we would recommend that the Student Aid Report which is currently required by the Department of Education be eliminated, and that the output documents that are provided to the student by the Department of Education's multiple data entry processor be utilized instead as the official eligibility notification to both the student and to the institution. The SARA is a creation of the Department and is not required by law. As such, it is a duplicative, and we could reduce paperwork by its elimination.

Third, we are proposing the implementation of a single need analysis system and a single cost-of-attendance for all Title IV programs. Ms. Natala Har, who serves as our NASFAA Commissioner for Government Affairs, presented this subcommittee with a detailed overview of our proposal for those changes on May 14th.

So in the interest of time, Mr. Chairman, let me just say that we encourage you to incorporate these changes along with the programmatic modifications that you have suggested today to help restore the Pell Grant programs to its proper role as the foundation of the Federal student assistance.

This concludes my testimony, but I'll be happy to respond to questions later on.

Thank you.

[The prepared statement of Dallas Martin follows:]

STATEMENT OF
THE NATIONAL ASSOCIATION OF
STUDENT FINANCIAL AID ADMINISTRATORS

BEFORE THE HOUSE SUBCOMMITTEE ON
POSTSECONDARY EDUCATION

PRESENTED BY

A. DALLAS MARTIN, JR.
PRESIDENT

June 4, 1991

Chairman Ford and Members of the Subcommittee, it is indeed a pleasure to have the opportunity to appear before you today to express the views of the National Association of Student Financial Aid Administrators (NASFAA) and its more than 3,300 members, on changes that we believe should be made to the Pell Grant Program during this reauthorization.

In anticipation of these hearings and the reauthorization of the Higher Education Act, NASFAA, in the fall of 1989, embarked upon a systematic action plan to enable the Association to develop a set of recommendations that would reflect the views and address the concerns of our diverse membership. To insure that everyone had an opportunity to provide input during our development process, we not only solicited written comments for over 18 months, but we held a series of six formal hearings in conjunction with each of our regional associations' annual meetings. The feedback that was received from this process was then carefully reviewed by a special ten-member Reauthorization Task Force. The recommendations developed by that Task Force were then circulated to our entire membership for further comment, and finally, after some adjustments, approved by our 27-member Board of Directors. Therefore, we feel confident that the recommendations which we will be proposing during this reauthorization represent a consensus of the views of the majority of the financial aid administrators from across the nation who are working at institutions representing all sectors of postsecondary education.

Throughout our deliberations we obtained numerous suggestions on how to improve all phases of the student aid delivery process, as well as suggestions on what needs to be done to strengthen each of the individual federal Title IV student aid programs. Today, however, I would like to specifically present our recommendations on how to improve the Pell Grant Program.

During the course of our hearings, one of the most frequently-stated concerns was the need to address the growing imbalance of available funding between the grant and loan programs. Repeatedly, aid administrators from all types of schools across the country told us that something needs to be done to restore the purchasing power of the Pell Grant Program so that it can again serve as a viable foundation program for students with demonstrated financial need. Witness after witness told us that changes to the eligibility formula accompanied by inadequate funding levels over the past decade have severely eroded the effectiveness of the program for students at their schools. Many of these witnesses presented data which showed that the percentage of Pell Grant funding at their institutions has declined to one-third or one-half of what it was in 1979. By comparison, they noted that the current maximum Pell Grant award of $2,400 does not begin to cover the same percentage of a student's educational cost as it did ten years ago. Similarly, they told us that many of the students who come from moderate middle income families no longer qualify for even a modest Pell Grant.

From their experiences, the Pell Grant Program no longer provides the certainty nor an adequate level of support to make it the foundation program it once was. In turn, these aid administrators are forced to provide increasing numbers of very needy students at the start of their academic careers with not only a Perkins Loan, but a maximum Stafford Loan as well. The result is that some of these higher need students are simply choosing not to pursue postsecondary education, or are becoming so indebted earlier in their undergraduate degrees that it is affecting their education choices and decisions to consider graduate studies.

Research has also shown loans to be negatively associated with incentives to encourage low-income minority students to pursue higher education. Therefore, today, when the percentage of loans is increasing as a part of a student's overall financial aid package, it is not surprising the overall percentage of minority postsecondary school enrollment is declining during a time in which the percentage of minority high school graduates is increasing.

If we hope to provide all of our citizens with an opportunity to obtain the fullest measure of education that will enable them to participate equally within our society, then it is essential that we restructure the Pell Grant Program to insure adequate and predictable funding from year to year. To help insure this is accomplished, we would propose that the Pell Grant maximum award be funded at $4,400 for the 1992-93 award year, and then automatically indexed to rise at least $200 each year thereafter, but not less than the Consumer Price Index.

Our reason for establishing the maximum award at $4,400 is an attempt to bring it back in line with where it was following the passage of the Middle Income Student Assistance Act of 1978. In the first award year following that Act, the maximum Pell Grant was $1,800. Therefore, had the maximum award been indexed in such a manner at that time, increasing it by a modest $200 per year, we would have a $4,200 maximum award for the upcoming 1991-92 award year as opposed to a $2,400 maximum award, and a $4,400 maximum for the 1992-93 award year.

Further, the policy goal of the Pell Grant Program is that it should cover up to 60% of a student's cost-of-attendance. Our projections suggest that the average annual cost at a four-year public college in 1992-93 will be $7,400. Therefore, 60 percent of that cost would be $4,440. Further, we propose legislation which would insure full funding of the maximum award each year, thereby giving assurance to current and future generations of students that they can count on the Pell Grant Program to be the foundation program that it must be. This Committee, in 1988, recognized the necessity to change the funding structure of the Pell Grant Program from a discretionary to a mandatory account when H.R.4986 was cleared for floor action. As you recall, the Committee at that time endorsed making the Pell Grant Program an entitlement and NASFAA strongly urges that this modification again be approved in this Reauthorization of the Higher Education Act.

Obviously these changes will increase the overall costs of the program and, therefore, help insure that the Pell Grant dollars are being targeted to the most needy students and reduce borrowing by such students.

We would also propose imposing some further restrictions upon the current program. These changes would include the following:

1. Increasing the Pell Grant minimum award from its current $200 amount to $400. While we realize that this change will impact a small number of less needy students, we feel that the limited funds must first be used to increase the maximum award to a more realistic level and target the program upon those with the greatest need. We would favor increasing the minimum award, however, only if there is a significant increase in the maximum award.
2. Eliminate correspondence study credit—on programs of study that do not have at least a two semester residential component—from being considered eligible programs.
3. Eliminate the awarding of Pell Grants to students who are enrolled for less than half-time. While opinions on this issue were more divided than on others, a majority of our members supported the concept of restricting Pell Grants to students who are enrolled half-time or more. Budgetary limitations and a belief that it is more important to first fund disadvantaged students who are enrolled on at least a half-time basis, were the two reasons most frequently cited by those in the majority who supported this recommendation.

4. Limit Pell Grant eligibility for students who are incarcerated to only include direct educational costs associated with their course of study (i.e. tuition, required fees, and books and supplies).

In addition to these eligibility limitations, NASFAA would also propose three additional changes to the program. First, we would recommend that the five-year undergraduate limitation found in Section 411(c) be eliminated. While we support the concept that the program be limited to undergraduate students, the time restrictions included in this section are administratively burdensome and unnecessary. Section 484(c) defines the conditions that all Title IV student recipients must meet in order to be making satisfactory progress consistent with the institutions' graduation requirements. Therefore, this additional time restriction is not necessary, and only results in unnecessary paper work and duplicative monitoring.

Second, we recommend that the Student Aid Report (SAR) currently required by the Education Department be eliminated, and that the output document provided to the student by the Department's multiple data entry processor be utilized instead as the official eligibility notification to both the student and the school. The SAR is a creation of the Department and not required by law. As such, it is a duplicative output form for most students that could be eliminated.

Third, we are proposing the implementation of a single need analysis system and a single cost-of-attendance for all Title IV programs. Ms. Natala Hart, who serves as NASFAA Commissioner for Governmental Affairs, presented the Subcommittee with an overview of our proposal for these changes on May 14. In keeping with our goal to simplify the whole student aid application and delivery process, we feel that these changes must be made. Therefore, I encourage you to incorporate those changes, along with the programmatic modifications we have made today, to help restore the Pell Grant Program to its proper role as the foundation of the federal student assistance programs.

This concludes my testimony, Mr. Chairman, but I would be happy to respond to any questions that you or the Subcommittee have regarding our proposals. Again, thank you for providing us the opportunity to present our recommendations.

Chairman **Ford**. Thank you.
Mr. Friedheim.

STATEMENT OF STEPHEN B. FRIEDHEIM CHAIRMAN OF THE BOARD OF THE ASSOCIATION OF INDEPENDENT COLLEGES AND SCHOOLS, REPRESENTING THE NATIONAL ASSOCIATION OF TRADE AND TECHNICAL SCHOOLS

Mr. **Friedheim**. Mr. Chairman and members of the subcommittee, my name is Stephen B. Friedheim. I serve as the chairman of the Board of the Association of Independent Colleges and Schools, AICS. I am also the president of the Executive Secretarial School in Dallas, Texas.

Executive Secretarial School enrolls more than 600 students drawn from all over the State of Texas, and several bordering States. Our institution has participated in the Title IV programs for more than 25 years. Today, 95 percent of our student body receive some form of student financial aid.

Today, I am here representing not only AICS, but also the National Association of Trade and Technical Schools, NATTS. AICS and NATTS are the Nation's two largest organizations that represent private career colleges and schools. Together we represent 2,200 institutions that are educating nearly 1.5 million students in 130 different career-specific fields. I appreciate this opportunity to share my thoughts about the future of the Pell Grant program as you consider the reauthorization of the Higher Education Act.

Congress, and especially this committee, deserve great praise and recognition for your support for the Pell Grant program. Pell Grants have played a major role in helping people with very low incomes get the assistance they need to make education a reality. The number of the poorest, the very poorest who have received Pell Grants has doubled during the 1980s. Grants play a very important part in helping student successfully complete an educational program. The data shows that the Pell Grant recipients are more likely to complete a program than non-recipients. Private career school students receiving Pell Grants have a much higher graduation rate than Pell Grant recipients in other kinds of institutions. AICS and NATTS have submitted a legislative proposal to this committee.

I would like to briefly describe our recommendations concerning the Pell Grants. We do not want to dramatically change the program. Rather, we believe that we should build on its past successes. Number one, increase the grant dollars. As you know, during the 1980s, there has been a major shift from grants to loans within the total Federal aid package as the share of the average tuition covered by the maximum Pell Grants fell from 41 to 26 percent. Our proposal would restore a better balance between grants and loans by increasing the dollars available from Pell Grants.

Number two, frontload grants. We believe aid packages should be weighted so that students receive more grant assistance early in their academic program. The grant/loan mix would shift to a greater reliance on loans as students progress through the academic program. We believe this change would help improve student retention, because many low-income students are reluctant to borrow heavily to pursue a postsecondary education.

The concept of frontloading grant assistance is not a new one for this committee. Chairman Ford, you presented a similar proposal to this committee in the 100th and 101st Congresses. While drawing from your basic ideas, our proposal differs from the SARA bill in that it does not absolutely deny students access to loans during the earlier part to their academic program. Our proposal builds on the belief that grants should be the basis of any student aid package, but also makes loans on campus-based assistance available for those students who need more than just a grant to cover their educational costs. Attached to my testimony is a chart that outlines how our frontloading proposal would work.

Number three, increase the maximum grant to restore purchasing power. AICS and NATTS believe that the maximum Pell Grant award should be increased to $5,000 for the neediest students in their first undergraduate year. As we restore a better balance between grants and loans, this $5,000 would be roughly the same as the combined amount of grants and loans that are currently available. The increase would also restore the real value of the Pell maximum that has not kept up with inflation since the middle income student assistance act.

Number four, expand eligibility to students from higher income families. In 1978, the minimum Pell Grant was available to students from families with incomes of approximately $23,000 per year. Today, Pell Grant eligibility is approximately at the same income level in current dollars. In real dollars, in order to provide grant eligibility to similarly situated students, the minimum Pell Grant program should be available to students from families with annual incomes of approximately $40,000 per year. Thus, we propose that the needs analysis be modified to provide for the minimum Pell eligibility for the first year students from families with an adjusted gross income of $38,000.

Number five, make the Pell Grant program an entitlement. We also believe that the Pell Grant program should be made an entitlement, as you have heard from other speakers this morning. As you know, Pell Grants are now only appropriated 1 year in advance. Only once since 1986 has the program been funded to the authorized level. Making Pell Grants an entitlement would also improve the predictability of the aid package. This would help students and parents plan for educational expenses earlier with a clearer understanding of how much Federal help will be available.

Number six, pay for the grant increases from current loan subsidies. I am sure that most people would ideally like to see the Pell Grant program expanded, but the tough question and the difficult issue facing you is how to pay for this expansion. In our AICS and NATTS legislative proposal, we make a recommendation that would pay for increasing funding for Pell Grants. At the same time, our proposal would clarify the distinction between grants and loans. We accomplish both of these goals by proposing the elimination of the in-school and grace period subsidies in the Stafford Loan program.

Today, the highest cost of the Stafford Loan program is the in-school and grace-period subsidies. Last year, these subsidies cost

$2.3 billion. These subsidies constitute implicit grants, because the government pays the interest on the loan, while the student is in school, for 6 months after the student finishes school, and during all deferment periods.

By eliminating the loan subsidy paid by the Federal Government, we would make grants grants and loans loans. We would make these savings and pay for the significant increases in the Pell Grant programs. That would help ensure that more young people would benefit from greater assistance from the program.

Mr. Chairman, in closing, we would like to say that we are intrigued by the Pell need analysis formula presented by our colleagues from AICS and others, and its basic principals are similar to the ones presented in our proposal. We look forward to working with our other associations in developing such a formula.

AICS and NATTS believe that the changes that you make must recognize the vital roles in the programs as they play a very definitive role in the quality of the Nation's workforce. Today, more than ever, we need to devote our resources to ensuring that we have the kind of skilled workforce that our economy needs to remain competitive. The important decision that you make in the months ahead will determine whether these doors remain open for all of our citizens.

Thank you.

[The prepared statement of Stephen B. Friedheim follows:]

Testimony before the
Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. House of Representatives

by

Stephen B. Friedheim
Chairman of the Board
Association of Independent Colleges and Schools

June 4, 1991 -- 9:30 a.m.
2175 Rayburn House Office Building

Mr. Chairman and members of the Subcommittee. My name is Stephen B. Friedheim and I serve as the Chairman of the Board of the Association of Independent Colleges and Schools (AICS). I am also the President of the Executive Secretarial School in Dallas, Texas.

The Executive Secretarial School enrolls more than 600 students drawn from all over the state of Texas and several bordering states. Our institution has participated in the Title IV programs for more than 25 years and today 95 percent of our student body receive some form of federal student aid.

Today I am here representing not only AICS. but also the National Association of Trade and Technical Schools (NATTS). AICS and NATTS are the nation's two largest organizations that represent private career colleges and schools. Together we represent 2,200 institutions that are educating nearly 1.5 million students in 130 different career-specific fields. I appreciate this opportunity to share my thoughts about the future of the Pell Grant program as you consider the reauthorization of the

Higher Education Act.

Importance of Pell Grant Program

Congress -- and especially this Committee and your colleague across the Hill, Senator Pell -- deserve great praise and recognition for your support for the Pell Grant program. Certainly you have the heartfelt thanks of the millions of people who have benefited from the program. And it has been tremendously successful in opening doors of opportunity for millions of lower-income people.

As you know, it was not too long ago that only those with sufficient wealth could pursue a postsecondary education. But, through the Higher Education Act programs, we have made great strides in allowing people from even the bottom of the economic ladder get an education.

Pell Grants have played a major role in helping people with very low incomes get the assistance they need to make education a reality. The number of the very poorest who have received Pell Grants has doubled during the 1980s. From 1980 to 1988, the percentage of Pell Grants going to students from families whose income prevented them from contributing anything to the costs of college went from 16 to 32 percent. This fact underscores just how important the program has been in helping those who need the help the most.

Grants play a very important part in helping students successfully complete an educational program. New analysis of

Department of Education data verifies how Pell Grants increase the likelihood of completing a program. The data shows that Pell Grant recipients are more likely to complete a program than non-recipients. This fact is even more significant when you remember that students who do not receive Pell Grants have significantly higher incomes than recipients.

The Education Department data also shows how important Pell Grants are to students in our sector of postsecondary education. Private career school students receiving Pell Grants have a much higher graduation rate than Pell Grant recipients in other kinds of institutions. More than 64 percent of private career school students who received Pell Grants graduate, compared to 49 percent of those attending community colleges and 57 percent of those attending four-year colleges.

AICS/NATTS Pell Grant Proposal

AICS and NATTS have submitted our legislative proposal to this Committee and I would like to briefly describe our recommendations concerning Pell Grants. We do not want to dramatically change the program. Rather we believe we should build on its past success and reinforce some of the basic principles embodied in the original purposes of the program.

1. Increase grant dollars.

As you know, during the 1980s, there was a major shift from grants to loans within the total federal aid package as the share of the average tuition covered by the maximum Pell Grant fell from 41 to 26 percent. At my own school, we have experienced first hand the effect that increased borrowing has had on students. Many students choose not to enroll simply because they are afraid of the amount of money they must borrow to obtain an education. Our proposal would restore a better balance between grants and loans by increasing the dollars available from Pell Grants. This would help ensure that even the poorest students do not leave college under a crushing burden of debt.

2. Front-load grants.

We also believe aid packages should be weighted so students receive more grant assistance early in their academic program. The grant-loan mix would shift to a greater reliance on loans as students progress through the academic program. We believe this change would help improve student retention because many low-income students are reluctant to borrow heavily to pursue a postsecondary education.

The concept of front-loading grant assistance is not a new one for this Committee. Chairman Ford, you presented a similar proposal to this Committee in the 100th and 101st Congresses. While drawing from your basic ideas, our proposal differs from the SARA bill in that it does not absolutely deny students access to loans during the earlier part of their academic program. Our proposal builds on the belief that grants should be the basis of any student aid package, but also makes loans on campus-based assistance available for those students who need more than just a grant to cover their educational costs. Attached to my testimony is a chart that outlines how our front-loading proposal would work.

3. Increase the maximum grant to restore purchasing power.

AICS and NATTS believe that the maximum Pell Grant award should be increased to $5,000 for the neediest students in their first undergraduate year. As we restore a better balance between grants and loans, this $5,000 would be roughly the same as the combined amount of grants and loans that are currently available. The increase would also restore the real value of the Pell maximum which has not kept up with inflation since the Middle Income Student Assistance Act.

4. Expand eligibility to students from higher income families.

In 1978, the minimum Pell Grant was available to students from families with incomes of approximately $23,000 per year. Today, Pell Grant eligibility is at approximately the same annual income level--in current dollars. In real dollars, in order to provide grant eligibility to similarly-situated students, the minimum Pell Grant should be available to students from families with annual incomes of approximately $40,000 per year.

Thus, we propose that the need analysis be modified to provide for Pell eligibility to similarly-situated students as was originally intended. First-year students from families with an adjusted gross income of $38,000 would be eligible for a minimum grant.

5. Make the Pell program an entitlement.

We also believe that the Pell Grant program should be made an entitlement. As you know, Pell Grants are now only appropriate one year in advance. Only once since 1986 has the program been funded to the authorized level. That has forced students to rely more heavily on loans. And, in fact, an individual student's grant award can be reduced even after he or she is enrolled.

I can tell you from my own experience that a Pell Grant does make a difference to our students at the Executive Secretarial School. More than one-third of our students are fortunate enough to receive a Pell Grant and I suspect that very few of these students would be on their way to a career if they had not been able to benefit from a Pell Grant.

Making Pell Grants an entitlement would improve the predictability of the aid package. This would help students and parents plan for education expenses earlier with a clearer understanding of how much federal help will be available. This greater predictability would encourage young people to complete their high school education and pursue whatever type of postsecondary education they choose.

6. Pay for the grant increases from the current loan subsidies.

I am sure most people would ideally like to see the Pell Grant program expanded. But the tough question -- and the difficult issue facing you -- is how do we pay for this expansion.

In our AICS and NATTS legislative proposal we make a recommendation that would pay for increasing funding for Pell Grants. At the same time, our proposal would clarify the distinction between grants and loans. We accomplish both of these goals by proposing the elimination of the in-school and grace-period subsidies in the Stafford Student Loan Program.

Today, the highest cost of the Stafford Loan Program is the in-school and grace-period subsidies. Last year, these subsidies cost $2.3 billion. These subsidies constitute implicit grants, because the government pays the interest on the loan while the student is in school, for six months after the student finishes school, and during all deferment periods.

By eliminating the loan subsidy paid by the federal government, we would make grants grants and loans loans. We could take these savings and pay for significant increases in the Pell Grant program. And that would help ensure that more young people could benefit from greater assistance from the program.

CONCLUSION

Mr. Chairman, in closing I would like to emphasize what I think should be some general guiding principles as you determine the future of federal financial aid programs.

AICS and NATTS believe the changes you make must recognize the vital role these programs play in determining the quality of the nation's workforce. Today, more than ever, we need to devote our resources to ensuring that we have the kind of skilled workforce our economy needs to remain competitive.

Private career colleges and schools are an important element in the education of the American workforce. Our schools provide the type of job-specific, technical education that American businesses demand.

I also urge you to remember the impact student aid has on helping millions of Americans achieve their version of the American dream. For 25 years, the Higher Education Act has opened doors of opportunity for individuals and their families. The important decision that you will make in the months ahead will determine whether these doors remain open for all of our citizens.

Thank you.

OPTION A

SOURCES OF FEDERAL STUDENT AID*
(in dollars)

TOTAL INCOME	TOTAL AID	PELL	WORK-STUDY + LOAN
	FIRST YEAR		
0-5,000	12,000	5,000	7,000
5,001-10,000	12,000	4,500	7,500
10,001-12,000	12,000	4,000	8,000
12,001-14,000	12,000	3,500	8,500
14,001-16,000	12,000	3,000	9,000
16,001-18,000	12,000	2,500	9,500
18,001-20,000	12,000	2,000	10,000
20,001-22,000	12,000	1,500	10,500
22,001-26,000	12,000	1,000	11,000
26,001-30,000	12,000	750	11,250
30,001-34,000	12,000	500	11,500
34,001-38,000	12,000	250	11,750
	SECOND YEAR		
0-5,000	13,000	4,500	8,500
5,001-10,000	13,000	4,000	9,000
10,001-12,000	13,000	3,500	9,500
12,001-14,000	13,000	3,000	10,000
14,001-16,000	13,000	2,500	10,500
16,001-18,000	13,000	2,000	11,000
18,001-20,000	13,000	1,500	11,500
20,001-22,000	13,000	1,000	12,000
22,001-26,000	13,000	750	12,250
26,001-30,000	13,000	500	12,500
30,001-34,000	13,000	250	12,750

TOTAL INCOME	TOTAL AID	PELL	WORK-STUDY + LOAN
	THIRD YEAR		
0-5,000	14,000	4,000	10,000
5,001-10,000	14,000	3,500	10,500
10,001-12,000	14,000	3,000	11,000
12,001-14,000	14,000	2,500	11,500
14,001-16,000	14,000	2,000	12,000
16,001-18,000	14,000	1,500	12,500
18,001-20,000	14,000	1,000	13,000
20,001-22,000	14,000	750	13,250
22,001-26,000	14,000	500	13,500
26,001-30,000	14,000	250	13,750
	FOURTH YEAR		
0-5,000	15,000	3,500	11,500
5,001-10,000	15,000	3,000	12,000
10,001-12,000	15,000	2,500	12,500
12,001-14,000	15,000	2,000	13,000
14,001-16,000	15,000	1,500	13,500
16,001-18,000	15,000	1,000	14,000
18,001-20,000	15,000	750	14,250
20,001-22,000	15,000	500	14,500
22,001-26,000	15,000	250	14,750

* This table applies only to students enrolled in programs of at least one academic year. Maximum eligibility for students enrolled in shorter programs would be as follows:

CLOCK HOURS OR EQUIVALENT	TOTAL AID	PELL	WORK-STUDY + LOAN
$600 > x \geq 300$	7,000	0	7,000
$900 > x \geq 600$	10,000	3,333 to 5,000	5,000 to 7,000

Chairman FORD. Thank you.

Mr. Matejka.

STATEMENT OF LARRY E. MATEJKA, EXECUTIVE DIRECTOR, ILLINOIS STUDENT ASSISTANCE COMMISSION, REPRESENTING NATIONAL COUNCIL OF HIGHER EDUCATION LOAN PROGRAM

Mr. MATEJKA. Mr. Chairman and members of the subcommittee, my name is Larry Matejka, and I am the executive director of the Illinois Student Assistance Commission.

I am very pleased to be here with such a harmonious group. I think we may be a choir, although I would like to see a few more sopranos and altos, rather than so many baritones and bassists.

I am here today representing the National Council of Higher Education Loan Program as well as the Illinois Student Assistance Commission. You are familiar with NCHELP and the many organizations it represents in conjunction with the guaranteed student loan program. You have already received NCHELP's reauthorization paper from Jean Frohlicher in a prior hearing. I was pleased to serve as chair of the committee which drafted that paper, and believe it contains suggestions which will not only improve the guaranteed student loan program, but other Title IV programs as well.

You have also received under separate cover ISAC's own reauthorization paper.

The Illinois Student Assistance Commission serves not only as the designated guarantor for the State of Illinois, but also is unique in that it administers scholarship and grant programs for Illinois higher education and operates the State secondary market for student loans. Our perspective from this vantage point is comprehensive as we are able to view the effectiveness of the Federal, State, institutional, and family partnership in financing higher education. My remarks today will focus on the Pell Grant program, its relationship with other State grant programs and NCHELP's proposals for its reorientation and coordination for the guaranteed student loan.

I must first comment that in more than 20 years of professional student aid work, I have been pleased to see the evolution of the Federal-State-institutional partnership and the leadership, which has been demonstrated by the Federal Government, especially through the Pell Grant program.

Although the system has its shortfalls, it still has provided opportunity for millions of students to pursue a postsecondary education. The current reauthorization process provides us with the opportunity to reexamine, modify, and refine Title IV programs and processes to improve the achievement of our goal of access to quality postsecondary education.

Mr. Chairman, this country is blessed with an abundance of natural resources. Unfortunately, many of them have been squandered and we are not able to replace them. Yet our most important natural resource is still with us in abundance and continues to be underdeveloped. The development of human capital to its fullest potential must remain a national priority. The most effective vehicle for doing that, that I know of, is our system of elementary, secondary, and postsecondary education. A key element in this process is access to postsecondary education through comprehensive student aid programs and the foundation of such financial assistance should be grant aid through the Pell program.

The first principle adopted by NCHELP as part of its reauthorization paper is that the foundation of financial assistance to low-income student should be grant aid. These programs need to be greatly expanded, especially for first-time students in undergraduate programs who should receive primarily grants and scholarships during the first portion of their study.

NCHELP urges the Congress to restructure grant and loan programs fundamentally to provide for substantially increased grants to students during the beginning of their postsecondary education with significantly greater loan availability as they progress through the institution. We heartily endorse the concept that you, Mr. Chairman, put forth in prior Congresses—that Pell Grants focus on entering students with guaranteed loans going primarily to those who have shown some level of persistence in their educational endeavors.

A student entering postsecondary education is making a substantial transition from high school life. They should be able to make this transition predominantly through grant assistance, and not have their lives complicated by substantial debt burden. Once they have adapted to college life, they are better suited to undertake a loan obligation and better able to repay the obligation.

By concentrating Pell Grant funds on the early period, a significant Pell Grant could be achieved without eliminating needy students from eligibility and within the context of current budget requirements. The NCHELP proposal is not specific about what portion of a student's curriculum should be covered by Pell Grants, since this may have to be governed by budget constrictures and institutional costs. However, we believe that if possible, grant aid should cover one-half of a student's educational program. Three months in a 6 month program or 2 years of a 4 year college education. This would allow for a transition relative to the student's individual program. Since the student would probably not be borrowing during this period, the Federal subsidies which would have been paid on his GSL could be attributed to the coordinated Pell Grant Program. It is NCHELP's hope that by combining these programs, Pell Grants can be converted to entitlement through merger with GSL's entitlement.

The front-loading of Pell Grants would also significantly reduce defaults in the Guaranteed Student Loan Program, which would, under current budget rules, make even more entitlement funds available for Pell Grants. As you know from the recent GAO survey of default literature, one significant characteristic of defaulters is that they are dropouts. Under current law, a student forced to borrow because of the unavailability of grant aid is almost certain to default if he leaves school early in his or her career. After all, they have not received the training or degree they initially sought and will not receive the salary anticipated against which they borrowed. By the time a student has completed half the curriculum, they have great promise of completing their course, getting the job, and being able to repay the loan.

NCHELP is convinced that coordinating Pell Grants and guaranteed loans through a combined entitlement would benefit and focus both programs. We are in the process of developing a model to prove that it can be done and under existing budget strictures.

A substantial increase in the maximum Pell Grant is needed to address the erosion of grant coverage of educational expenses during the past 10–15 years. For example, during the decade of the 1980s, in spite of a 58 percent increase in the amount of the average Pell Grant to Illinois public university students, the average grant, which at the beginning of the decade, covered an amount equal to tuition and fees now only covers 66 percent of those costs. When compared with the total costs of attendance at an Illinois public college or university, that figure drops to 25 percent.

I have attached a couple of tables to my testimony which emphasizes the erosion of student purchasing power during the 1970s and 1980s. I won't bother to go into detail in those.

In addition to adjusting the mix of loan and grant dollars to beginning low-income students, it is important to increase the maximums in both the Pell and GSL programs. The current maximums are outdated. For instance, based on CPI with 1980 as a base, the 1990 Pell Grant maximum would be $2,800, not $2,400. If we based the comparison on the Higher Education Price Index, the maximum would be in excess of $3,300. I suggest that the committee consider increasing the Pell Grant maximum grant annually, based on an index tied to the CPI, and that those increases be at $100 increments.

The previously-mentioned $4,400 figure is appropriate when you compare the original percentages to the earlier 1970 costs.

We in Illinois have been fortunate to have State grant programs which have been generously funded to help ease this growing imbalance. However, even with the second largest need-based State grant program in the Nation, we have been unable to address adequately the increasing gap between escalating costs of postsecondary education and available grant assistance.

Reauthorization must revisit the mix of grant and loan dollars and the maximum amounts available to needy students.

In order to be successful, a Pell Grant/GSL continuum must coexist with an increased emphasis on accountability and quality in the offerings of educational institutions which participate in both programs. This committee and the Congress have taken significant steps to clean up the worst program abuses through amendments to the GSL program in recent years. Dr. Sam Kipp of the California Student Aid Commission presented testimony to this subcommittee last week on NCHELP's further proposals to insure integrity of the Guaranteed Student Loan Program. If these proposals are not adopted, elimination of eligibility for correspondence courses; raising the minimum eligible educational offering for GSL to 600 clock hours; requirements for equitable refunds, effective disclosures and truthful advertising, as well as increased attention to the administrative and financial capability of all new institutions seeking to participate in Title IV, we can all expect to spend the next decade reading about abuses in the Pell program as we have in the GSL program for the past several years. None of us wants that scenario to occur.

NCHELP believes that coordination of the Pell and GSL programs in the manner outlined will redress the grant/loan imbalance and improve the operations of both programs. I would urge the subcommittee to take this dramatic step for the next decade.

A wise philosopher once said history is a race between education and catastrophe. I think we are right in the middle of that race. I don't think we can afford to see the latter win.

Thank you for your opportunity to testify this morning, Mr. Chairman. I would be pleased to respond to questions you might have.

[The prepared statement of Larry E. Matejka follows:]

STATEMENT OF

LARRY E. MATEJKA

EXECUTIVE DIRECTOR

ILLINOIS STUDENT ASSISTANCE COMMISSION

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

June 4, 1991

Mr. Chairman and Members of the Subcommittee.

My name is Larry Matejka, and I am Executive Director of the Illinois Student Assistance Commission (ISAC). I am here today representing the National Council of Higher Education Loan Programs (NCHELP), as well as ISAC. You are familiar with NCHELP and the many organizations it represents in conjunction with the Guaranteed Student Loan Program. You have already received NCHELP's Reauthorization Paper from Jean Frohlicher at an earlier hearing. I was pleased to serve as Chair of the committee which drafted that paper, and believe it contains suggestions which will improve not only the Guaranteed Student Loan Program but other Title IV programs as well.

The Illinois Student Assistance Commission serves not only as the designated guarantor for the State of Illinois, but also is unique in that it administers scholarship and grant programs for Illinois higher education and operates the State secondary market for student loans. Our perspective from this vantage point is comprehensive, as we are able to view the effectiveness of the Federal, State, institutional, and family partnership in financing higher education. My remarks today will focus on the Pell Grant Program, its relationships with other State grant programs, and NCHELP's proposals for its reorientation and coordination with the Guaranteed Student Loan Program.

I must first comment that in more than 20 years of professional student aid work, I have been pleased to see the evolution of the Federal-State-institutional partnership and the leadership which has been demonstrated by the Federal government, especially through the Pell Grant Program. Although this system has its shortfalls, it still has provided opportunity for millions of students to pursue postsecondary education. The current reauthorization process provides us with the opportunity to reexamine, modify, and refine Title IV programs and processes to improve the achievement of our goal of access to quality postsecondary education.

Mr. Chairman, this country is blessed with an abundance of natural resources. Unfortunately, many of them have been squandered, and we are not able to replace them. Yet our most important natural resource is still with us in abundance, and continues to be underdeveloped. The development of human capital to its fullest potential must remain a national priority, and the most effective method of doing so that I know is through our system of elementary, secondary, and postsecondary education. A key element in this process is access to postsecondary education through comprehensive student aid programs, and the foundation of such financial assistance should be grant aid through the Pell Grant Program.

The first principle adopted by NCHELP as part of its reauthorization paper is that **the foundation of financial assistance to low-income students should be grant aid.** These programs need to be greatly expanded, especially for first-time students in undergraduate programs, who should receive primarily grants and scholarships during the first portion of their study. NCHELP urges the Congress to restructure grant and loan programs fundamentally to provide for substantially increased grants to students during the beginning of their postsecondary education, with significantly greater loan availability as they progress through the institution. We heartily endorse the concept that you, Mr.

Chairman, put forth in prior Congresses -- that Pell Grants focus on entering students, with Guaranteed Loans going primarily to those who have shown some level of persistence in their educational endeavors.

A student entering postsecondary education is making a substantial transition from high school life. He should be able to make this transition predominantly through grant assistance, and not have his life complicated by a substantial debt burden. Once he has adapted to college life, he is better suited to undertaking a loan obligation, and better able to repay that obligation.

By concentrating Pell Grant funds on the early period, a significant Pell Grant could be achieved without eliminating needy students from eligibility and within the context of current budget requirements. The NCHELP proposal is not specific about what portion of a student's curriculum should be covered by Pell Grants, since this may have to be governed by budget strictures. However, we believe that, if possible, grant aid should cover one-half of a student's educational program--3 months in a 6-month program, or 2 years of a 4-year college education. This would allow for a transition relevant to the student's individual program. Since the student would probably not be borrowing during this period, the Federal subsidies which would have been paid on his GSL could be attributed to the coordinated Pell Grant Program. It is NCHELP's hope that by combining the programs, Pell Grants can be converted to entitlements through merger with GSL's entitlement.

The front-loading of Pell Grants would also significantly reduce defaults in the Guaranteed Student Loan Program, which would, under current budget rules, make even more entitlement funds available for Pell Grants. As you know from the recent GAO survey of default literature, one significant characteristic of defaulters is that they are dropouts. Under current law, a student forced to borrow because of the unavailability of grant aid is almost certain to default if he leaves school early in his career. After all, he has not received the training or degree he initially sought, and will not receive the salary he anticipated and against which he borrowed. By the time a student has completed half of the curriculum, he has great promise of completing his course, getting a job, and being able to repay his loan.

NCHELP is convinced that coordinating Pell Grants and Guaranteed Student Loans, through a combined entitlement, would benefit and focus both programs. We are in the process of developing a model to prove that it can be done, and done under existing budget strictures.

A substantial increase in the maximum Pell Grant is needed to address the erosion of grant coverage of educational expenses during the past 10 to 15 years. For example, during the decade of the 80's, in spite of a 58% increase in the amount of the average Pell Grant to Illinois public university students, the average grant -- which at the beginning of the decade covered an amount equal to tuition and fees -- now only covers 66% of those costs. When compared with the total cost of attendance at an Illinois public college or university, the figure drops to 25%. I have attached to my testimony a chart which shows the changes during the past few years, which I believe documents the erosion of student purchasing power.

In addition to adjusting the mix of loan and grant dollars to beginning low-income students, it is important to increase the maximums in both the Pell and GSL Programs. The current maximums are outdated. For instance, based on CPI with 1980 as a base, the 1990 Pell Grant maximum would be $2,800, not $2,300. If we based the comparison on the Higher Education Price Index, the maximum would be $3,300. I suggest that the Committee consider increasing the Pell Grant maximum annually, based on an index tied to the CPI, and that those increases be in $100 increments.

We in Illinois have been fortunate to have State grant programs which have been generously funded to help ease this growing imbalance. However, even with the second largest need-based State grant program in the nation, we have been unable to address adequately the increasing gap between escalating costs of postsecondary education and available grant assistance.

Reauthorization must revisit the mix of grant and loan dollars and the maximum amounts available to needy students.

In order to be successful, a Pell Grant/GSL continuum must coexist with an increased emphasis on accountability and quality in the offerings of educational institutions which participate in both programs. This Committee and the Congress have taken significant steps to clean up the worst program abuses through amendments to the GSL Program in the past few years. Dr. Kipp of the California Student Aid Commission presented testimony to this Subcommittee last week on NCHELP's further proposals to insure integrity in the Guaranteed Student Loan Program. If these proposals are not adopted -- elimination of eligibility for correspondence courses; raising the minimum eligible educational offering for GSL to 600 clock hours; requirements for equitable refunds, effective disclosures, and truthful advertising; and increased attention to the administrative and financial capability of all new institutions seeking eligibility to participate in Title IV programs -- we can all expect to spend the next decade reading about abuses in the Pell Program, as we have about the GSL Program in the past several years. None of us wants that scenario to occur.

NCHELP believes that coordination of the Pell and GSL Programs in the manner outlined will redress the grant/loan imbalance and improve the operations of both programs. I urge the Subcommittee to take this dramatic step for the next decade.

I would be happy to answer any questions you might have.

Illinois Public University Students
Comparison of Average Student Tuition and Fees and Total Costs
With Average Federal Student Aid
By Program and Sector
Fiscal Years 1975-1989

Fiscal Year	Tuition and Fees	Average Pell	Pell %	Total Cost*	Pell %	Pell Unmet Need	Weighted Average Loan**
1975	$ 606	$ 628	103.6%	$2,537	24.8%	$1,909	$ 968
1976	614	831	135.3	2,703	30.7	1,872	998
1977	624	811	130.0	2,794	29.0	1,983	1,031
1978	728	844	115.9	2,963	28.5	2,119	1,157
1979	757	852	112.5	3,234	26.3	2,382	1,286
1980	828	926	111.8	3,449	26.8	2,523	1,570
1981	901	894	99.2	3,878	23.1	2,984	1,926
1982	1,017	901	88.6	4,314	20.9	3,413	2,037
1983	1,156	973	84.2	4,253	22.9	3,280	1,811
1984	1,334	1,063	79.7	4,576	23.2	3,513	1,903
1985	1,503	1,198	79.7	4,857	24.7	3,659	1,841
1986	1,615	1,354	83.8	5,084	26.6	3,730	1,819
1987	1,710	1,403	82.0	5,277	26.6	3,874	1,712
1988	1,787	1,368	76.6	5,417	25.3	4,049	1,837
1989	2,222	1,465	65.9	5,929	24.7	4,464	1,836
Cumulative Change							
$	$1,616	$ 837	--	$3,392	--	$2,555	$ 868
%	267%	133%	-36%	134%	C%	134%	90%

Sources: Tuition and student cost data taken from Illinois Student Assistance Commission, Data Book: 1990, Table 2.2a, p.12.

Pell Grant data taken from Illinois Board of Higher Education, Report on the Fiscal Year 1989 Illinois Student Financial Aid Survey, All Institutions, March, 1990, Table 42, pp.103-104.

Student Loan data taken from Illinois Board of Higher Education, Report on the Fiscal Year 1989 Illinois Student Financial Aid Survey, All Institutions, March, 1990, Table 43, pp.105-106.

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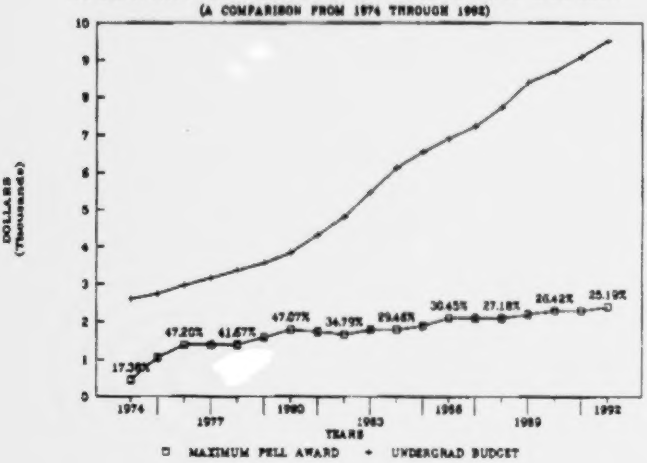
* "Total Student Cost" is estimated by the Illinois Student Assistance Commission (ISAC) using data for tuition and fees, an ISAC determined personal allowance, and room and board or an ISAC determined commuter allowance.

** weighted using annual number of recipients per Federal or Federally-guaranteed loan program.

BEST COPY AVAILABLE

MAXIMUM PELL AWARDS VS UNDERGRAD BUDGET

(A COMPARISON FROM 1974 THROUGH 1992)



COMPARISON OF PELL GRANT YEARLY MAXIMUMS WITH UNDERGRADUATE STUDENT COSTS, 1973-74 THROUGH 1991-92

YEAR	PELL MAX AMT	UG BUDGET	% OF BGT
1973-74	$452.00	$2,601.00	17.38%
1974-75	$1,050.00	$2,740.00	38.32%
1975-76	$1,400.00	$2,966.00	47.20%
1976-77	$1,400.00	$3,160.00	44.30%
1977-78	$1,400.00	$3,360.00	41.67%
1978-79	$1,600.00	$3,540.00	45.20%
1979-80	$1,800.00	$3,824.00	47.07%
1980-81	$1,750.00	$4,301.00	40.69%
1981-82	$1,670.00	$4,800.00	34.79%
1982-83	$1,800.00	$5,456.00	32.99%
1983-84	$1,800.00	$6,110.00	29.46%
1984-85	$1,900.00	$6,538.00	29.06%
1985-86	$2,100.00	$6,896.00	30.45%
1986-87	$2,100.00	$7,226.00	29.06%
1987-88	$2,100.00	$7,726.00	27.18%
1988-89	$2,200.00	$8,406.00	26.17%
1989-90	$2,300.00	$8,706.00	26.42%
1990-91	$2,300.00	$9,090.00	25.30%
1991-92	$2,400.00	$9,528.00	25.19%

Chairman **Ford**. Thank you very much. I want to apologize earlier to the people on the panel. Indeed, I was faced, as the Chair of this committee, with what some people think is a worthy cause and others do not think is a worthy cause; but I couldn't be here. I appreciate Mr. Reed's taking over for us. Obviously, some people think he should Chair all the time.

If it wasn't done, I want the reporter to take note that, without objection, the prepared testimony submitted to the subcommittee will be inserted immediately following each of the speakers that spoke today.

Congressman Gaydos also had an opening statement, which will be inserted in the record.

I have a number of questions, but first, I want to compliment all of you. This is very helpful to have so many perspectives. I appreciate the observation that you are almost like a chorus. It usually takes a lot more pain and suffering before we can agree on the Pell program.

I want to particularly thank you, Charlie Saunders, Ed Elmendorf and Julianne Thrift, for your joint presentation. I do not remember any reauthorizations since the Act was originally written when public or private schools would be seen sitting here and agreeing on anything. We usually have to blackjack them into the room to even talk together. I think it is an indication that the education community takes this reauthorization very seriously and has put forth their best effort in getting something together.

I would like to ask one question on the Pell formula chart. If I understand you correctly, the lines, the boxes, the crosses and so on are distinguished by cross-institutions. Is that right?

Ms. **Thrift**. That's right, Chairman Ford.

Chairman **Ford**. And all of the black lines, no matter what their cost of education identification, represent what the new formula would do while the red line represents what the present formula does?

Ms. **Thrift**. Yes. I think what you'll see there if you look at the far left side of the chart, where the red line dips, that is just an impact of 60 percent cost where the lowest income student in the lowest tuition college really doesn't get a fair break. We solve that problem.

Chairman **Ford**. You show that.

Ms. **Thrift**. Yes, sir. If you look at the far right side, you see the problem we have when the curve stops sort of abruptly no matter your fees and tuition increase, if you want to attend the University of Michigan or another 4 year college or a 4 year private college. You just don't get any extra help for doing that. So we think we have solved both the debt burden for very low-income students and we recognize the real struggle of what working families are feeling when they try to attend college.

Chairman **Ford**. Now are you familiar with the administration's proposal that we got in last week for the corporate low-income fund for the Pell?

Ms. **Thrift**. Yes, sir, we have studied that.

Chairman **Ford**. Can anybody give me an idea of where a blue line for the administration would fit in that picture over there?

Ms. **Thrift**. Well, Linda, do you?

Ms. Berkshire. I happen to have a blue pen, Mr. Chairman.

This is approximate; if I were being totally fair and had the time, I could draw a series of these lines.

Chairman Ford. Well, you don't have to be totally fair; just minimize.

Ms. Berkshire. The percentage of needs being met even for the lowest income students in their proposals are around 79 percent. So it would start here, but the drop-off in terms of the level of family income that it reaches and the level of tuition being reached is much sharper than this proposal that the community has agreed upon, which, on average, would take it down something like that.

Ms. Thrift. Mr. Chairman, Linda is being kind. What happens is it drops like a rock.

Mr. Saunders. If I could try it another way, Mr. Chairman? The administration agrees with all of us at the table, I think, that substantially increased grants go to the very needy students. However, there is no disagreement on that at all. The administration also agrees that the award should be more than tuition-sensitive; and thus, their formula is similar to ours. But they cut it off at such a short point, that they would drop 400,000 out of the current program whereas our student body has 800,000 more awards than the administration's formula.

Chairman Ford. Thank you. I first met you, Charlie, when you were explaining, I believe in the Nixon administration, future predictions of education. It doesn't surprise me that you are trying to explain this to me now.

Mr. Coleman.

Mr. Coleman. I, too, want to thank the groups that have come together for this very thoughtful function. I think it is one of several aspects in play today. I appreciate the opportunity to listen to you as well.

As I understand the current law, our budgets for expenditures for Pell Grants is about $5.3 billion. Under the administration's proposal, they are suggesting $5.775 billion. Under the proposal that ACA has put forward, it is about $9 billion. If we were to allow current law to stand, it would increase the Pell Grant to $4,500. It would cost about $11 billion. Everybody is nodding yes to all of that.

Of course, we are faced with budget considerations and really we are creating the budget. As we discuss these options, we don't have the luxury of taking forth and writing into law entirely what we would like. We have to write the law, but in the confines of the budgetary strictures. That is going to be most difficult when we try to get the amounts of money we are talking about here.

I want to say, though, that regarding the administration's proposal, Mr. Saunders, I want to follow-up on something, there are 400,000 fewer Pell Grant recipients under the proposal. Although I know the administration's attempt is to try to help the low-income, a laudable goal, the largest number of Pell Grant recipients actually eliminated are, in fact, receiving the lowest income, zero to $10,000.

Could you explain that? And also, if those figures are consistent with your understanding, how does that happen under the administration's proposal?

Mr. **Saunders**. Yes. I think you've got that right. About 400,000 is eliminated; approximately 200,000 of that 400,000 do come from low-income families. I suspect it comes from the administration's proposal of new provisions on eliminating Pell Grants, the ability-to-benefit provision that was put in in last Congress and that new separation plus the age of 26 criteria would affect unfairly, I believe, a high proportion of low-income students who—$3,700 maximum awards that need help.

Mr. **Coleman**. Mr. Farrell, do you have any information, different than mine, about the number of people being reduced from Pell Grant recipient rolls. Is that large chunk of the bottom, zero to $10,000, from which 158,000 would be eliminated, is that a result of cutting 10 percent off of the lowest traits in your proposal? Do you know why this might occur?

Mr. **Farrell**. Thank you, Congressman. Our figures indicate that 400,000 less students that result from this formula come about from two primary areas of typing. One is a reclassification of the status, the definition of an independent student. Increasing the minimum Pell Grant from $200 to $400 would also indicate that that comes primarily from higher-income students, because the way the formula was designed, the smaller grants go to the higher-income and the larger grants go to the lower-income. If I look at the intent of our formula, and of course, if you take the largest amount of allocated to Pell Grants in the history of the program. Part of that increase to these families can provide approximately the same distribution of dollars in the remaining income families. We'll be sending some charts to support that—simple pie charts; nothing quite as spectacular as that chart.

The intent of the administration's proposal is that the increase in monthly allocated Pell Grants go to the neediest with the other income brackets receiving approximately the same amount of money.

Mr. **Coleman**. Mr. Farrell, if you could supply us with information regarding how many would be dropped because of your 9 or 10 percent grade and academic standing proposal. Something that shows how many would be dropped off because of your independent student definition, which I assume would come to the total. Just give us an idea.

At the same time, let me be fair, and say that I think you have a couple of very good points. I want to note them. I think Mr. Matejka also referred to them. That is, if you have got programs in the loan programs for integrity, the same students in the same institutions are utilizing the Pell Grants as well. In your statement, you suggest that we carry over forms, that you and we come together, I think, to try to put in place the GSL, that would also be put in place for the Pell Grants. I think that is a very good suggestion and one of the reforms we need to make in this reauthorization.

We spoke about middle income. Some of us have suggested eliminating home equity from the formula for eligibility. I note again that you have supported this, but in a very limited way; where you would cut off families at a $20,000 income from taking into account home equity. I think that to make it realistic and to make it worthwhile, it certainly is going to have to be a higher cap than $20,000.

I would like to see some of your budget figures as to why you might have placed a $20,000 cap.

Mr. Friedheim, I was looking at your attached charts. I note that even though you want to frontload, your frontloading still provides a great exposure to work-study and loans, even in the first year and second year. I wonder how you—what your response is when it looks like your loan amounts are going to be up in the $8,000 to $10,000 range in some cases, for the first year. How is that going to solve our Pell problems and things to do with that when you are actually increasing the exposure problems? I know it says work-study loans. I don't know how you can work and still be in school, so most of that is going to have to be loans.

Mr. **Friedheim**. A good portion of our student population does work, Congressman. They spend a good deal of time working. Many of them go to school in the evenings, for example, and have full time jobs in the daytime. So it is not unusual for our student population to be working while they are going to school.

We also think that the number of modifications that have been made in the guaranteed student loan program as well as the other kinds of oversight elements that are being put into place will bring an awful lot of pressure to bear on a variety of the elements that have created problems for the GSL program. So we anticipate that much of that will be in place and will improve the situation.

Mr. **Coleman**. Well, I can understand you bringing forth the proposal which tracks your own student clientele, but I think it is unreasonable to suggest that most people would view earning $8,000 and $10,000 a year or even perhaps half of that, as being in the more traditional setting.

As I understand it, the recipient groups, let's put it this way, the public and proprietaries under this proposal have been brought forward. Proprietary schools are not necessary negatively impacted, are they?

Mr. **Friedheim**. I don't think so, no.

Mr. **Saunders**. Mr. Coleman, our runs by sector show that the proprietary sector would increase their total share of grant dollars.

Mr. **Coleman**. Even with reforms in place?

Mr. **Saunders**. We can't—speak to other proposals.

Mr. **Coleman**. Yes. Right. Mr. Farrell, you come into the situation with the view from the department. I wonder if you might be able to comment and evaluate the ability of this department to administer student aid; and what do you see and what have you discovered?

Mr. **Farrell**. Yes, sir. Thank you. I would like to make just one comment concerning the 90-10 formula that has been originally proposed to remove the bottom 10 percent from eligibility Secretary Alexander has already said that he does not like that. If that is the case, that's out. We are looking at other possibilities to present for the committee's consideration.

When I arrived in April, I was presented with a joint report from the Department of Education and the Office of Management and Budget. It was very critical of the department; it was very direct.

Since I have arrived, I have also had an opportunity to read in great detail the report by the Inspector General of our department, the General Accounting Office, Senator Helms' report. There is a huge amount of resources indicating the scope of some of the problems that we face. However, I am very confident that we are going to turn this around.

Why is that? For several basic reasons. We have good leadership in the department now. We have got a strong backing from the President. I would have to say in the time I have been here also, that it has had a very strong commitment on the part of this committee and the Congress to shape up the program.

The people I am sitting here with can also be key to identifying the good parts of the program and the unsatisfactory problems. One area where I have seen input from the students, and I was struck by program reviews. A number of our program reviewers will sit and talk to the students. The students are the very valuable resource for this program participation. Ultimately, they are what the programs is all about. So I can tell you that we will be paying far more attention to and going out and seeking input from students that participate in this program.

Mr. COLEMAN. Thank you.

Chairman FORD. Mr. Coleman and I are not in disagreement at this point. I say that to preface the comment with his statement about the budget. I intend to do my level best to do the job of the authorizing committee, which is to write the law the way it ought to be—not the way the bean counters say they want to reduce the numbers.

It is our job to identify the needs, the priorities and what we need in law. Then it is our job to try to get a budget adopted that would accommodate any increases in expenditures. Then the next step, all of which I am very much involved in in this Congress—we produced about $2.5 billion more than the Controller said we were going to get in January.

We are talking about something that is going to start in fiscal year 1994. By fiscal year 1994, we will either have helped this President become the education President or we will all have fallen flat on our faces. So I want to soar with the eagles and take President Bush right up there with us; and do what ought to be done with the reauthorization. If we authorize $9 billion for Pell Grants, we are still not going to get any more, and the appropriations committees will appropriate a budget process.

Well, when they come back to us for reconciliation, that is when this committee starts paying attention to budget figures. Reauthorization is not and should not be in any way involved with somebody's idea of what the budget is going to be for 5 years starting in fiscal year 1994. We ought to be identifying what the need for education is going to be in fiscal year 1994 and 5 years forward. I want to make it very clear, because we sound a little different, but there is no disagreeing. I hope that it is going to stay this way all the way through the process. I am just seeing it a little differently than we have been looking at it in recent years.

I remember going into conference with 700 differences between the House and the Senate the last reauthorization, and being told that we couldn't settle a single difference until I agreed to a number, as if we were writing a budget and not a reauthorization bill. We never settled a thing until the Chairman of the full committee, Mr. Hawkins and I agreed to the numbers. From that point on, all the policy issues were budgeted. They were not driven out of any sorts—and the portions got all skewed. Obviously, I could use a tougher word.

I don't think we are going to find ourselves under that same set. There is nobody in this town, who I could detect who will even mutter a peep that they are not for education. That is where we are at the moment. I have never seen this kind of harmony. This is going to be the Education Committee. I hope that we can say that to the Secretary and to the President that we are together. We are going to draw up plans for the future. Then we will have a House where George Bush can be the Education President. The Education President can't claim that title if he is loaning money to other countries and increasing it from previous presidents. Charlie, you and I served in an administration that I frequently refer to as the real education administration. During the Nixon years 90 percent of these education programs saw larger annual increases than at any other time during the history of these programs. Now Nixon didn't ask for all that money, but he didn't impede the appropriations, either.

Mr. SAUNDERS. He also asked for considerably more in authorizations than Congress was willing to give.

Chairman FORD. That's true. I guess that tends to be the part of why I want to return to the good old days of Richard Nixon.

Mr. COLEMAN. Mr. Chairman, before you cause any more trouble, let me answer. I, too, recall from discussions about authorization and funding, that you and I have had with others in the past, and we talked to the other side of this issue. But during the 1980s, I remember that the Republicans wanted certain figures plugged in for authorizing business. Somehow, by the end of the 1980s, we were getting with such sums the amount you wanted in the early part of the 1980s. So each one of us thought we were going to get the right amount of funding appropriations.

Chairman FORD. Does that mean the sums in the first period?

Mr. COLEMAN. Well, I was going to say, I don't know whether it is still in vogue or not on my side. But I do want to point out that it is certainly the way you look at it. I think to a certain extent, we don't want to mislead people. If we are going to create programs that are for the service of the state of our society, we ought not get the people all hyped-up and turned-on about something that is not going to occur. I think that is why we are always a little more hesitant to use unwarranted figures. That is to what I was referring. Of course, we are going to continue working together in the spirit of cooperation.

Thank you.

Mr. SAUNDERS. Mr. Coleman, if I could comment on the fiscal realities. It seems to me that the administration is asking, as of today reporting a $200 maximum, if you include their $500 bonus. The rest of us are all in that ballpark between $4,000 and $4,500. So that is one reality test that is right there.

The other reality test is that by the end of this year, I would assume that Pell Grant appropriation will be approximately $6 billion now. In recent years, the Pell Grant appropriation has increased from a third of that over a billion a year. We are talking, as Chairman Ford said, about fiscal year 1994 to be the first year that the reauthorization would be implemented. So assuming that in over 2 years, the economy has improved as it is expected to, and the administration is willing to make a commitment to higher education, after some of the reforms and proposals have been enacted, I certainly don't feel that our proposals are unrealistic whether we are talking about going from a $6 billion appropriation to somewhere between $8 and $9 billion. As a matter of fact, if our formula were funded at as low a level as $3,600 maximum, that would mean the total cost would be $7.2 billion.

So I think we are talking about reality levels here. I don't think it is pie in the sky that anybody is asking for.

Mr. **Albright**. Mr. Chairman, I would also agree with Charlie, and ask the committee to recall as well that we believe that there is a direct correlation between increased Pell Grant and decrease loan defaults. Currently, we are spending about $2.7 billion in loan defaults. So Charlie's analysis is correct when we shift some of those dollars from defaults and making them available for Pell Grants, it seems to me we are a lot closer than we might be at first thought.

Chairman **Ford**. I would observe that the first time I put in a frontloading proposal was an attempt to link the budget process to cut the loan default cost. We were told by the Congressional Budget Office that if we knocked out the loans in the first 2 years and turned Pell into an entitlement during the first 2 years, that in 5 years, we would solve 75 percent of the loan defaults. That is real big bucks. That could pay for the whole thing. Now this town works hard to make people take things on faith, but the CBO is courting that, not me and my staff. That is—entitlement being knocked out by Gramm-Rudman. It is pretty heavy for us to deal with and accept. If we did some frontloading and traded some entitlement for another, I am not so sure it would be a violation issue.

So we get new entitlement out of the program, but we can trade off. It is possible to consider certain things that haven't been considered in the past. I am not asking them to be considered. Respected parties are going to sit down and write a bill. That is the way the process works. All I wanted to do was reinforce the idea that I have been preaching since the beginning of the year. There is no limit to opportunity to where we want to take the education in this country.

Mr. Reed.

Mr. **Reed**. Thank you, Mr. Chairman. There is some skepticism about the administration's proposal to focus attention to the low-income students. I guess looking over these proposals rekindled memories of a brief time I taught economics at West Point. I think all I could say was that it was good they were going to be soldiers and not economists.

But I have a question, and that is when you go ahead and start shifting priorities instead of decreasing the cost of education to low-income students; what is the elasticity of demand? Do you anticipate that more people, more low-income people, will have access now to higher education, particularly with the other reforms that you propose, including more stringent requirements in the type of schools that are eligible?

My fear is that we might create a system in which it appears on paper that there are more opportunities for low-income students to go to school, but the reality is that the demand will not be there because of other reforms you are proposing, not just the fact that the pool of students is not there to substantiate that. I hate to shift resources and programmatic weight from other categories of students if that demand is not there.

I wonder if you could comment, Mr. Farrell, and Dr. Elmendorf perhaps, or Mrs. Thrift?

Mr. **Farrell**. Yes, sir. Thank you. The purpose of the way the formula is drawn is to do what I indicated before. That is, to take the major portion of the increase allocated to Pell Grants and aim that toward the lower-income students, keeping the money available to the entire income brackets about the same.

The proposals we have in our reauthorizations are intended to prevent fraud and abuse; not to permit categories of students by income brackets or anything else. The only driving force behind these proposals are to eliminate from the program schools that are not providing the service to the student; that are not providing the quality education. Those kinds of—removing those elements from the program are a plus, because they ultimately—they bring back down the default rate and make more money available to all students than the situation we have right now, where the increases up to $2.5 billion, allocated out of the budget, to take some of the costs. It is really not acceptable.

Mr. **Reed**. Just a follow-up question. Do you have a projection or an analysis that will show an increase in the number of low-income students, those that stay in the Pell Grant program? Or do you have analysis which shows simply the current number of assisted students, who although the individuals will change, the same current number will have access to higher awards?

Mr. **Farrell**. I'm sorry, Congressman. I didn't catch one of the words in the first part of your sentence?

Mr. **Reed**. Essentially, do you have any analysis or projections which would show that there would be an increased number of students under your plan for low-income students qualifying for Pell Grants? Or, simply, will this increase in targeting lead to the same number of students receiving higher dollar awards? Do you have any feel on that in terms of analysis?

Mr. **Farrell**. I am sure we could provide that, and we would be happy to.

Mr. **Reed**. Thank you, Mr. Farrell.

I wonder if Dr. Elmendorf, you could comment?

Mr. **Elmendorf**. Yes. I would be happy to answer that question. Let me just say very quickly, though: If one could take the $3,700 maximum award and proposed by the administration, not taking the current formula, just let it ride on the same parameters or the same three rules, you would put 4.1 million students in the program as opposed to four on the 3 million that I propose. It would cost $9.2 billion to do that. That probably would reflect give the administration some special price tag.

If you ran the same numbers through the alternative proposal that we have with the maximum award of $3,600, the cost on that would be a little over $7 billion. That is $1.2 billion away from what the administration was willing to put on the line this year with the administration proposal on top of the maximum Pell. That is a very reasonable goal for that kind of award formula.

The distribution would be under—let's say that $3,600 maximum award we have over 66 percent of those recipients coming from families with less than $15,000 in family income, and over 75 percent of all that money would go basically to those students who come from under $15,000. We would not be losing people to low-income—distributions.

Ms. THRIFT. Mr. Reed, there is absolutely no doubt that the way to reach the $3,700 maximum is by cutting out working-class people. Otherwise, we simply could not fund it at that level. So what has happened is that low-income people will do well, very low-income people, anyone who is working for a living has to borrow money, gets a loan. That is the only thing they'll get out of this.

Mr. GEIGER. Mr. Reed, I think this is consistent with what they have got in the child nutrition program and the aid for education program. It is really defining poverty. There are people in this country that no longer are going to be eligible for any Federal dollars, and we are just going to redefine it from $20,000, or whatever you want, down to $10,000. So any family that makes over $10,000 a year isn't going to be eligible. So those that are very, very poor are going to get more money, but we are going to cut right out of the pie the upper lower-income families and the middle-income families. That, I think, is the decision that Congress has to make.

Mr. REED. Well, I agree, I think. We conducted a joint House and Senate hearing in Rhode Island, and we had an opportunity to take testimony. One of the most compelling stories was from a mother whose daughter was graduating from Salve Regina College in Newport, Rhode Island. The parents earn $41,000. They never owned a home. They only had a few hundred dollars in the bank. The young woman saved $3,000 for her education. Her need was calculated at about $14,000. She never received a Pell Grant. She graduated from college. She owed $17,500 the day she walked out of the ivy halls. Her parents borrowed $20,000 to pay for her tuition. She received some money from the State of Rhode Island, some from the college. She took out Perkins loans, Stafford loans, commercial loans, any type of a loan. But she never qualified for a Pell Grant.

The result is that her parents now are unable to make the same kind of commitment to a younger child. So one of my great fears is not only we are pitting middle-income or working people against low-income people; we are pitting sibling against sibling; mothers and fathers trying to make terrible decisions about who they reward and who they help in their own families.

That is not the way it was when I was at the university when we had government and capability and the right opportunities as divisive and mean-spirited, in some respects, as we are now. I would like to help speed up distribution process and help them. I understand the realities and the budget realities. I also understand the administration is dealing with this difficult process of trying to come up with a solution. But I think we can reach a higher goal. But, in effect, without any change in the formula, regardless of the administration proposals, we are weeding out working Americans and we are reneging on one of the great programs, of my lifetime and before, the opportunity to go on to higher education; not only with individual benefit, but so that this country can benefit from those skills and talents. I hope we can address that problem.

Mr. **Saunders**. Mr. Reed, I would just like to say that, in effect, compounded the administration's budget recommendations. Not only would they cut 400,000 eligible students out of the Pell Grant program, but they would seriously cut a reduced number of awards to the campus-based programs. So it is our estimate overall as we have studied the administration's budget proposal, $1.1 million awards would be cut out. And that, of course, would all be in middle-income levels. It's a more serious problem looking at the administration's proposal than just looking at the Pell Grant program.

Mr. **Reed**. Thank you, Mr. Chairman.

Chairman **Ford**. Mr. Petri.

Mr. **Petri**. Thank you, Mr. Chairman.

I would like to thank all of you for putting so much effort into presenting testimony on this important program. I certainly would like to say that I agree with Mr. Friedheim.

Your general thrust, as I understand it, is to try to restructure the student loan program to make as much money as possible available to students, with fewer government expenses because of fewer defaults and less subsidy, and reapply that money toward a Pell Grant credit.

I worry about work-study, too, and how to keep some of this money in light of the Pell Grant increases that you talk about.

I have two specific questions to Dr. Elmendorf, I think, on this: If we are thinking about moving in the direction of entitlement, does it make any sense to have a cap on the total amount of the Pell Grant; and should the awards for each year be indexed for inflation?

In other words, if we move to make Pell Grants an entitlement, could it be reasonable to cap the amount that the individual could receive under the Pell Grant program at a 2 year or 3 year figure, so we don't open up an unexpectedly large spending flow?

Mr. **Elmendorf**. That's a good question. My sense is that there are a couple of provisions in the formula that serve as checks and balances on that. The first one is that the percent allowed of open tuition is plugged into the formula as only 25 percent. So there is no way we should reach the fullest of that. The second is that under the proposal, we would make any increases in CPI, when there is fraud brought in and divided equally between the tuition component and the living cost component, we still have every 5 years a reauthorization cycle. I think that is included in the way to take a look at the changes and not what we are going to in this reauthorization compared to what we do in 1997.

Mr. **Petri**. When you talk about indexing, you are relating that to the rate of inflation, I assume?

Mr. **Elmendorf**. Yes.

Mr. **Petri**. Is that only for the grants, or are you also indexing the tuition figure, I hope not to the rate of——

Mr. **Elmendorf**. Just the maximum award.

Mr. **Petri**. You don't need the other input. So then, in effect, we have a program that would gradually kick in at lower tuition levels.

Mr. **Elmendorf**. If these institutions are out there increasing their tuition costs by more than the CPI, they don't get rewarded.

Mr. **Petri**. Well, if you leave the number at a constant for tuition, and you increase the Pell Grant gradually——

Mr. **Elmendorf**. We are not leaving it constant. The point I am making is that if you tell me that CPI is going to increase by $300, the cost for the program, we would divide that 150 added to $2,750 living allowance, and making it 2,900. We would, therefore, also increase the allowance under the tuition making it essentially 1,900 difference or 7,600 maximum tuition at which you could still get eligibility at the Pell Grant programs. So it is figured into the formula and broken down equally between tuition and living expenses.

Mr. **Petri**. Family income would be indexed?

Mr. **Elmendorf**. Would continue to go—they would go up as the consequence of the maximum award going up. As it goes up, it very well includes the reach of beyond $49,000 to $50,000, which is where it should be with the CPI on the family income that was initially derived in 1978, I think it was, at $25,000.

Mr. **Petri**. Parents come to me and complain because the IRS takes the dependant student's stipend and prorates it between tuition, books, and room and board, and attributes the room and board portion to the parent who is taking the child as a deduction.

If you are expanding this so that it will affect people who are taxable, is the Pell Grant, or any portion of it, subject to tax.

Mr. **Elmendorf**. It is not at this point, and I wouldn't recommend it. One thing that I must keep in mind is that the living expenses that we put into this formula is a number that is derived from—it is less than 50 percent of what it would really cost a student to attend a public 4 year institution. In terms of non-living costs, measured by the Census Bureau, documented non-tuition costs of about $6,000 for students. That is at a top tuition. We are only allowing $2,750 against that total cost even for this reauthorization.

Mr. **Petri**. So it is your best estimate that grants from the government are different from grants from non-governmental sources.

Mr. **Martin**. They are. The issue which we get to, Mr. Petri, is part of a changing state of taxation of scholarships, and scholarships is part of the tax reform act. That is different than the——

Mr. **Petri**. We obviously would——

Mr. **Martin**. We would like to see that change as well. The way the people on the Ways and Means Committee would, we would like it very much.

Mr. **Petri**. I would, too.

Mr. **Martin**. Let me say one other thing, Mr. Petri. We were talking about some kind of maximum perhaps in your entitlement programs. It seems to us that there are certain safeguard in the program now that protect students. One of these is obviously essentially the progress.

It seems to me that if we have a student who has high needs and begins this as an undergraduate, and moving through a loop; while we want to help that student to be as successful as they can all the way along, I would hate to see us necessarily pull the support away from that student later on in their career and make it difficult. Right now, the evidence is that most students who are not assisted to make a choice or if circumstances earlier, we change anything around, we would increase the areas that come later. So we would plan to maintain support of these students all the way through. I think we've got other safeguards to do that, but obviously we could structure it in several ways in terms of whether it is a cost factor. Again, these schemes, I think you are exactly right. Mr. Friedheim just mentioned on the loan proposals, which we are not here to discuss today, but there is a lot of changes that I think most of these associations are representing on the table today with regards on the loans that are reforms as well, that will make additional dollars available and help provide the kind of balance we need in terms of grant funding versus loan funding, so that these are all ways of finding assistance.

Mr. PETRI. Thank you. I won't bother you as to who says this is determined by the institution, which doesn't provide a track on the student, but——

Mr. MARTIN. I would say that institution that is adhering to the guidelines of the directive in terms of those that we endorse along with PCP and others. I mean the Department of Education—program abusers, there is no reason whatsoever, Mr. Petri, that those should not be adequate safeguards for students. If somebody is manipulating that at a certain institution, I can assure that I can go and find that out very quickly by visiting that institution.

Ms. THRIFT. Mr. Petri, those joint proposals in the community left by your original programs, some people believe that should be removed. We felt that should remain.

Mr. PETRI. Thank you. I am just concerned that if we increase the dollars in the program, at some point, it might make sense to have a Title on it because we seem to be manipulated by some schools. This part of the program has a better safeguard than the loan program due to the nature of its design. But still, people are struggling for students revenue. And schools like to get their student count, because sometimes, if they are getting other money based on the number of students, if it is a State-supported school, for example; they get some money from program A and some from the State treasury. Suddenly, you start having problems when they start recruiting people not to provide an education, but because of the money that person brings in.

Chairman FORD. Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman. I will be very brief. I want to first apologize for not being here at the beginning of this hearing. I want to commend you for calling together such an expansive panel. At the same time, however, I must recognize that I was at a meeting this morning, getting together on where we are on the issues we are discussing today. There is a direct correlation between education and the question of applying for loans and the Civil Rights Act of 1991 that comes up today on the floor of the House. In fact, that is the only issue, I guess, that we will debate today.

There is one question I want to raise, which comes, I guess, as a result of the hearing, at least, that I had in Chicago where we had a very adverse panel of people testifying. They seemed to have many grievances about trying to increase the access on opportunity for education for people, particularly those in the lower-income brackets.

I heard some of the testimony from the National Education Association, and the United Negro College Fund here. I read that the United States Student Association, as described in their testimony, are in favor, too, of Pell grants becoming entitlement programs.

I don't know if that is true of the rest of the panelists, or if it is just limited to those three. I had the feeling that came out of the hearing that we had to see if there was consensus, if you all think that the Pell Grant program should become an entitlement and this would benefit more of the lower-income students without being denied access to education.

The second point of that: Won't increasing the Pell Grant go a long way to addressing the default problem? There is one question in two parts, if I could get your answer and reaction to that briefly before we get to the notice.

Mr. **Farrell**. Yes, sir. Mr. Hayes, if I could respond? First of all, on the question of abuse: What we have to do is remove the waste from the program completely, because the program was established merely to pass out the money with no regard for the student. So our goal is to get the fraud and abuse out of all aspects of the program.

The other point you raised, the administration proposal for Pell Grants this year, represents our effort to direct the increase in funding that we made available on the very substantial increase in number available to the lowest-income levels for participating in the program. Then for the higher-income levels that participate in the program, the amount of dollars remains about the same as the previous years.

The question of entitlement, I would remove some of the budget controls. Personally—I known the administration believes that it is better to have the Congress consider the circumstances as it reauthorizes and appropriates and considers the circumstances and issues of the time, rather than to hook the student to the CPI index, which history goes back to show that they have a tendency to get out of control.

Mr. **Albright**. Mr. Hayes, let me speak for a moment before you call on colleagues to step up to the plate.

I think it is very important to this committee, because I have heard this on several occasions, not to confuse the institutions with higher default rates as institutions which are practicing fraud and abuse. The fact of the matter is that many institutions that are historically black colleges, other minority institutions, community colleges and many of our State colleges serve large segments of low-income, academically at-risk students. The fact of the matter is that at present, most of those students, some of whom may come to us not quite as well prepared as they should, are required to take out guaranteed student loans in order to meet the cost of education. Many of those students flunk out or become discouraged because of the high cost of borrowing and drop out earlier. Therefore, most of those students end up becoming students who are engaged in default. That should not be confused, because Congress has asked us to serve students of that exact type. We think we are doing a national service by taking them. We are going to lose some. There is no question about that. But I think our track record on balance would indicate that we do a far better job of educating those who others in society will not educate. Therefore, I as one institution representative, rather resent the notion that somebody would accuse us of being an institution practicing fraud and abuse simply because we take risks on students whom end up not being able to make it out of the institutions. I hope the Congress really is able to discern the difference between and among that 20 percent, there is a very, very important point to make.

Mr. SAUNDERS. Mr. Hayes, on the question of entitlement, I don't think there is a major substantive difference among us here. We have been before this committee in the past urging entitlement. I remember I came before the committee, I think it was 1976, to make the point that the only way to provide stability, which everybody agrees that that is what they needed in the Pell Grant program is entitlement.

Mr. HAYES. Mr. Saunders, it is hard for me to understand why we could forgive a debt of $7 billion to Egypt and can't forgive anybody else. Let's try it with our students.

Mr. SAUNDERS. We looked at the problems. The Chairman had asked us to make legislative recommendations for everything that we felt we were proposing. We simply didn't see how you could run an entitlement under the take-over provisions the budget is coordinated on. I would point out that my testimony notes that clearly the ultimate way to insure the reliability of the program is the foundation of student assistance, would be to make the program an entitlement. But because we are unable to identify any particular increase in taxes or spending cuts, which must be made under the budget, a point of fact to provide entitlement, we took the route this time of trying to get as close to entitlement as possible while tying the maximum to the consumer price index and taking away the Department's authority to reduce awards.

Mr. WATSON-DAVIS. And I think it is also important to note that when looking at the difference between loans and grants is that, first of all, people feel better getting a grant. It has since been shown that people are more successful when they get grants. They are in a better state of mind. They don't have to work. They have more time for their studies and are more successful.

If grants were an entitlement, if we turn the balance of loans to grants, we will be in a better position to educate more people and keep more people in school; and therefore, make more education more accessible.

I just want to relate really quickly a situation that happened with me in particular. I just got married 2 weeks ago. My wife has student loans. She has got a $4,000 GSL loan. We just got the statement back, saying that by the time we pay back interest, it will be $9,100 on a $4,000 loan.

This is a very successful student. She has done really well. She comes from a low-income background. However, she had to take out the loans, for one, because she wasn't able to get enough from

Pell Grant. Also, the fact that she wasn't able to contribute what they said she should be able to contribute. That leaves us in a peculiar predicament right now when we have a ton of loans to pay back. That is just one of the loans she has taken out. Now I have to decide whether to go—you know, continue with the work that I am doing, or try to get a job at IBM, even though my heart is in doing this type of work. That is the position the students are put into when they have to make a decision on whether or not to get these loans.

Mr. **Martin**. Mr. Hayes, let me say something else about the question you raised on entitlement. When you go back—and I think if you look at the history of the Pell Grant program, the Pell Grant program is really, as everybody has said, is the foundation of financial aid. Because these programs, we have said to students, really are not the kind for earlier on.

Saying this program is available to make sure that the government is going to provide some support for students. It is very important that we have some stability and some predictability on what that amount of support is going to be. It comes to students very early on. I am talking about even junior high and early career professionals.

If my memory serves me correctly, since the Pell Grant program has been enacted in 1972, there are only three times in the history of the program that the appropriations have matched for the authorized level for it. That doesn't give a program a lot of stability, but we are trying to make a point that this is a full entitlement. We refer to it as entitlement with a little 'e'. We need to have a program that provides some assurance that what we are saying to a young person today, who is starting off from the 8th or 9th grade, if you do the following things, by the time you complete school and you have done things that mean you are responsible, your government will be there to give you that form of assistance to insure that you have a chance to pursue your postsecondary education.

I cannot say with full assurance with the commitment that I would like to, to a needy student today, that that is what we are talking about here today.

Mr. **Hayes**. Thank you, Mr. Chairman. I have a call waiting dealing with the geography for reapportionment in the State of Illinois. I have to go answer a call.

Chairman **Ford**. That is called protecting your seat. I want to thank this panel. Seeing how much common understanding there is among the diverse interests represented here speaks well for where we are going. I trust that you and the Secretary will make sure that we spend some time on the testimony that all of you prepared today. The Secretary impresses me as somebody who wants to understand what is happening in the state of education today.

Mr. **Farrell**. Your leadership, Mr. Chairman, itself helps us to come to the realization that we need to get together. Thank you very much for that.

Chairman **Ford**. Thank you.

[Whereupon, at 12:12 p.m., the hearing was adjourned, to reconvene at the call of the Chair.]

HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT

WEDNESDAY, JUNE 5, 1991

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., Room 2175, Rayburn House Office Building, Hon. William D. Ford [Chairman] presiding.

Members present: Representatives Hayes, Sawyer, Payne, Andrews, Jefferson, Reed, Roemer, Kildee, Coleman, Molinari, Petri, Barrett, and Henry.

Staff present: Thomas Wolanin, staff director; Jack Jennings, education counsel; Maureen Long, legislative associate; Gloria Gray-Watson, administrative assistant; Jo-Marie St. Martin, minority education counsel; and Rose DiNapoli, minority professional staff member.

Mr. **Andrews**. Ladies and gentlemen, we are ready to begin. I note the absence of many of our colleagues on this committee, but their absence today is not an indication of their lack of interest in the process. I assume as the hearing goes on, we will be joined by many of our colleagues. I will call, at this time, on Mr. Reed for his opening statement.

Mr. **Reed**. How about someone even less distinguished than Jay Leno chairing? I just want to say that yesterday's hearing on Pell Grants was very productive. I am looking forward to continuing these hearings.

Thank you, Mr. Chairman.

Mr. **Andrews**. I don't know if I should call you Mr. Reed or Ed McMahon after that. Thank you very much.

There is a statement in the record which, without objection, will be submitted for Mr. Gaydos.

Without objection, so ordered.

We will call upon our colleague, Mr. Barrett, for any opening statement he may have.

Mr. **Barrett**. Thank you, Mr. Chairman. I think I will simply ask the Chair to have a statement inserted into the record.

Mr. **Andrews**. Without objection, so ordered.

[The prepared statements of Hon. William D. Ford, Hon. Joseph M. Gaydos, and Hon. Bill Barrett follow:]

STATEMENT OF HON. WILLIAM D. FORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Today is our second of two hearings on the Pell Grant Program, the foundation program for Federal student financial assistance. This is the largest student grant program, receiving $5.38 billion in funding during this fiscal year. For this coming academic year, 3.4 million students will receive Pell Grants of up to $2,400 to help them pursue their education goals.

Yesterday, we heard testimony from witnesses representing all sectors of postsecondary education—the administration, presidents of institutions, students, teachers, financial aid administrators, even guaranty agencies—all with suggestions for changes in the Pell Grant Program.

Today, we will hear further testimony on changes to the Pell Grant Program; but we will also focus on one of the criteria established for receipt of Federal student financial assistance—the so-called ability-to-benefit criteria.

In order for a student to be eligible for Federal student aid, the student must be a high school graduate, possess a high school equivalency diploma or be determined to have the "ability-to-benefit" from the postsecondary education.

I am pleased that a very distinguished member of this subcommittee, Paul Henry, of Michigan, is presenting his bill, H.R. 337, to us this morning. We will also hear testimony in support of H.R. 907, introduced by another distinguished member of this subcommittee—George Miller of California. Representative Ron Coleman's legislation, H.R. 553, is also before us this morning.

While the "ability-to-benefit" provision is a very important part of the Higher Education Act, I would like to point out that only 2 percent of all Title IV recipients are admitted using the ability-to-benefit criteria. Also 35 percent of all undergraduates receive Federal student financial aid, while 37 percent of ability-to-benefit students receive Federal aid. I have put a memo in the members packets prepared for me by the Congressional Research Service addressing the subject of ability-to-benefit students and Stafford loan defaults.

I look forward to hearing the comments and suggestions of our witnesses for ways to improve the Higher Education Act.

Duplicate

Opening Statement
Joseph M. Gaydos
Postsecondary Education Hearing
June 5, 1991

As we all know, there was no eligibility provision for students who had not received a high school diploma or General Equivalency Development certificate in the original text of the Higher Education Act of 1965. That provision was added when the 1976 amendments to the act became law.

Since that time, many students who did not have a diploma or GED but had the ability to benefit have successfully completed their programs of study and gone on to better and higher paying jobs.

The number of ability to benefit students is very small -- about 2.5 percent of all students currently in higher education programs.

Further, these students represent a very small percentage of those students receiving financial assistance. During the 1989-1990 school year, according to preliminary estimates from the Department of Education, only 1.8 percent of all students receiving Title four assistance were ability to benefit.

These students are also heavily concentrated in programs that take less than two years to complete.

In tax-supported institutions during 1989-1990, ATB students represented only one tenth of one percent of the enrollment at public four-year schools, and only 1.3 percent at community colleges, but accounted for 2.9 percent of all students in public vocational programs.

In private non-profit institutions in the same year, ATB students comprised less than two percent of the enrollment at four-year schools, and not even one tenth of one percent at two-year schools, but accounted for 7.8 percent of all students in private non-profit schools that offer less than two year programs.

In the for-profit career training schools, the percentages of ability to benefit students follow the same pattern -- a larger percentage are enrolled in the shorter, less than two year programs as compared to the percentage in longer programs.

Thus it is clear that students who have the ability to benefit are more interested in shorter programs and less interested in long-term, academic programs. And, this would include going back to high school or taking refresher courses in order to pass the GED test.

Judging by the Department's figures, these students only want to learn what they need to know to participate more fully in our workforce. They want to learn the skills they need to get a first job, perform a job better, or get a better job.

I don't know if it is wise to exclude these Americans from the student assistance programs -- especially since most employers don't put much stock in our high school diplomas. We have heard time and time again that a high school diploma in no way guarantees that a student can even read.

Hopefully, we will keep this in mind when we make final decisions about which students will receive assistance when attempting to broaden their horizons and which students will not.

COMMENTS OF THE HONORABLE BILL BARRETT
POSTSECONDARY EDUCATION HEARING
JUNE 5, 1991

Thank you Mr. Chairman

Today's hearing topics--the Pell Grant program and the controversial issue of "ability-to-benefit tests--bring us, I think, to the heart of our federal higher education policy.

That policy in the past has focused on providing qualified individuals the opportunity to go to college. For many low-income students, the $2,400 maximum Pell Grant award represents the key for them to get a college diploma.

I just want to say that the Administration's plan to increase the Pell Grant's maximum award to $3,400 represents a necessary first step towards meeting the needs of today's students.

While I'm sure that many would like to see that amount increased to keep up with the rate of inflation, and to make the Pell Grant an entitlement. While those goals are laudable, I'd have serious concerns if we proceeded in that direction.

First, we'd have to amend last year's budget agreement. Even though I wasn't here for that debate, I'd have serious reservations about creating another mandatory spending program while still grappling with a $300 billion federal budget deficit. I know many of my colleagues share this concern.

One would have to decide that providing food, shelter, medicine, and health care is in the same category as attaining a college degree. I'm sure many would agree with that assessment, I would just have a problem with it.

The Federal Government should help provide financial assistance to attain a college degree or certificate. But, it is the individual who makes the commitment, financially and otherwise, not the Federal Government.

Finally, I'm concerned that the grant program itself may surpass, as a means of primary financial assistance, the Guaranteed Student Loan (GSL) program. I want to see the private sector involved as much as possible in our higher education system, and presently at least, that means the GSL program.

Despite the fact that the GSL program is being racked by defaults, it is nevertheless a meritorious concept and one that should be preserved and reformed.

One of my major concerns is getting control of this $2 billion default problem, and I know that one of our efforts in this reauthorization process will be to address that problem.

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The second topic of today's hearing is one of the steps we are taking to confront the default issue through "ability to benefit" testing.

These independent tests (like ACTs and SATs) are designed to screen those who wouldn't or couldn't profit from the educational instruction.

On the surface at least it appears to me that should this is a reasonable step to take. We should have a mechanism in place that ensures we get the "biggest bang" for our educational dollars.

While there are going to be cases where an ability to benefit may cause hardships, I believe the American taxpayer wants their money invested in individuals who have proven a proficiency to absorb, understand, and practice whats being taught

This morning the full committee marked up HR 2435, a bill that establishes a commission to study whether a national test for our elementary and secondary students is in order, to gauge the success or failure of our education system.

While many experts claim that a national test is necessary, then why is a independent test--which could end up being the national test--not good indicator of a students ability and capacity to learn?

With that, Mr. Chairman, I look forward to hearing the testimony from our witnesses.

Mr. **Andrews**. I see Ms. Molinari is here. She has no opening statement.

Ms. **Molinari**. I have no opening statement.

Mr. **Andrews**. Thank you.

Ms. **Molinari**. Thank you.

Mr. **Andrews**. With us this morning is a distinguished member of our full committee, Representative Henry, from Illinois. He has some—Michigan, excuse me. We moved him. I apologize. He is still distinguished.

Mr. **Henry**. I was born in Chicago, Mr. Chairman.

Mr. **Andrews**. I knew that. Yes.

He is here to make a contribution this morning on some thoughts he has on the Pell Grant.

Welcome. I know that you have to get right to the floor to engage in colloquy on H.R. 1. We encourage you to take as much time as you like.

Mr. **Henry**. Do we have a vote pending, Mr. Chairman?

Mr. **Andrews**. Pardon me?

Mr. **Henry**. Do we have a quorum call pending?

Mr. **Andrews**. Do we have a quorum call pending? Yes, we do.

Mr. **Henry**. Maybe we should just push our button and come back. Will that be okay?

Mr. **Andrews**. We will adjourn for as much time as that takes, and reconvene very shortly.

[Recess.]

Mr. **Andrews**. Ladies and gentlemen, we are now ready to continue.

Mr. Henry.

STATEMENT OF HON. PAUL B. HENRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. **Henry**. Thank you, Mr. Chairman. Mr. Chairman, I do have a prepared statement. I am going to skip through it in the interest of brevity, but I ask that it be entered in the record.

Mr. **Andrews**. Without objection.

Mr. **Henry**. Thank you, Mr. Chairman.

I appreciate the opportunity to testify in support of my bill, H.R. 337, on the so-called "ability to benefit" issue.

Just to be sure that there is no misunderstanding or confusion, let me explain to my colleagues that H.R. 337 would eliminate the ability to benefit provisions from the Higher Education Act, meaning, therefore, that in order to be eligible to receive Federal financial aid under the Higher Education Act, a student must actually have completed high school or received a GED, which is recognized as the equivalent by all States. Other legislation which will be discussed today would actually go in the opposite direction, and would loosen the existing "ability to benefit" criteria, which Congress passed last year in the Budget Reconciliation bill.

So we have a very clear diversity of opinion in terms of which way we ought to go on this question. It might be helpful to review a brief history on the issue. Prior to 1976, there was no ability to benefit provision in the criteria for eligibility for Federal postsecondary aid. In other words, prior to 1976, one had to have either a high school degree or a GED certificate in order to participate in these programs. The ability to benefit provision, which opens it up for alternative entre into the Higher Education Assistance grants program was first added in the Higher Education amendments of 1976; and then expanded to include proprietary institutions in 1978.

The initial legislation allowing non-high school graduates to be eligible for Federal aid left it to the institution to determine the student's ability to benefit from the educational programs. Within a few years, however, it became very, very clear that this was an area of considerable abuse. Over the years, Congress has tried various formulations to limit the institutions' discretion. Beginning in 1986, Congress required the institution to either use a standardized test to show ability to benefit, or provide remedial counseling to the student. Two years later, Congress changed that and required both testing and counseling.

Yet the stories, such as those related by Representative Waters before the subcommittee a couple of weeks ago continued. Similarly, the Inspector General of the Department of Education has highlighted improper practices by institutions in documenting ability to benefit as a prime area of abuse in the higher education programs.

Last fall, in the Budget Reconciliation Act, Congress adopted new language intended to further reduce the control of the institution in making the determination. The current language provides that in order to be eligible for Federal financial aid as an ability to benefit student, the student must pass an independently administered examination approved by the Secretary.

The Department has implemented this language by approving a list of national tests, initially 14 tests, and subsequently six others. The tests range from the ACT and SAT and other well-known tests, to a test which was developed for the purpose of evaluating non-English speaking students' English language competency to attend high school, an area of particular concern to Mr. Coleman who will be before the committee shortly.

I might add that the GED is also on the approved list. However, the Department also established the standard for passing the approved test. Since the individual States generally set their own passing scores for the GED, passing for purposes of Federal aid does not necessarily mean "passing" for purposes of receiving certification of high school completion from the State.

I suspect that our subsequent witnesses will say that the current situation is confusing and the Department of Education's actions somewhat arbitrary. With that, I would obviously agree.

Our response, however, should not be to turn back and again loosen the discretion of institutions to make their own determination about students' ability to benefit when they have not completed high school. Ability to benefit students are not huge numbers in postsecondary education. Estimates that I have seen are that about 2.5 percent of all students in postsecondary education do not have a high school diploma or a GED. I don't think it is surprising, however, that the small amount of students are amongst the most risky borrowers of student loans. In 1987, the Department of Education found that 2 percent of non-defaulting borrowers were admitted under this category, while 9 percent of defaulters did not have a high school degree or GED. For no other high risk factor was the spread so great. That is from a 1987 report on Postsecondary Student Aid Survey, Mr. Chairman.

Even if that were not the case, however, it is the wrong message for us to send about the importance of completing high school or its equivalent, when we allow those who have not gone through that effort to be eligible for postsecondary aid. And I do not believe, Mr. Chairman, that in the 1990s, we do any favor for any student when we encourage them, by giving them Federal loans, to attend a postsecondary institution without having achieve minimum high school competency in reading, writing and math.

Let me add that many, if not most, of the good proprietary schools already have a policy of not accepting students on the basis of ability to benefit. That surprises many members of the committee. In my district, we have a proprietary school, for example, which prepares students for careers in cosmetology. That school has required a high school diploma or GED for many years. The same is true for the business career schools in my area, and many others.

Obviously, the problem of whether students are adequately prepared to benefit—which I think is a better phrase than ability to benefit—from postsecondary education is a broader one than just focussing on those who are admitted without a high school diploma. Unfortunately, in too many cases a high school diploma itself is no longer a good indicator or proxy for being prepared to benefit in postsecondary education, whether it be a traditional college or a vocation/technical education. I hope this committee will move in the direction of demanding more from our secondary schools and our secondary school students. One of the ways, of course, to effect that would be to adopt the President's proposal for a national assessment of students, a step towards which we took earlier this morning in the full committee.

Until we are ready to move in that direction, however, a high school diploma is the best, most fair, proxy we have. I think it is time to make the Higher Education Act reflect that.

Mr. Chairman, I also want to point out what is happening in private sector matches and adoptions of high schools with high degrees of students that are not graduating from high school or have educational deficiencies. In the city of Detroit, for example, in the Greater Detroit Metropolitan area, many of our major corporations are sponsoring school adoption programs in which they are investing time and tutoring and strengthening the educational curriculum in helping the students; and also promising to them that any student who completes high school will, in fact, have the economic ability to get a higher education. We ought to make that opportunity there.

But there, where the private sector has moved in to address this problem, they have, too, themselves set the criteria. The high school diploma is the step for eligibility to participate in this program. By, in fact, opening up ability to benefit to those who don't have a GED or a high school diploma, we are really denying eligibility to others who have taken the disciplines and made the good faith effort to get the high school diploma. So I hope we consider very carefully the dangers associated with opening up this provision and also give some consideration to not only the economic saving, but the educational message associated with our current policy on ability to benefit.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Paul B. Henry, along with referenced documents, follows:]

PAUL B. HENRY
5TH DISTRICT, MICHIGAN

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Testimony

Rep. Paul B. Henry

Subcommittee on Postsecondary Education

June 5, 1991

THIS STATIONERY PRINTED ON PAPER MADE OF RECYCLED FIBERS

Mr. Chairman and my colleagues on the Postsecondary Subcommittee,

I appreciate the opportunity to testify in support of my bill, H.R. 337, and on the so-called "ability to benefit" issue.

Just so there is no confusion at the outset, let me explain to my colleagues that H.R. 337 would eliminate the "ability to benefit" provisions from the Higher Education Act, meaning that in order to be eligible to receive federal financial aid under the Higher Education Act a student must actually have completed high school or received a G.E.D., which is recognized as the equivalent by all states. Other legislation which will be discussed today would go in the opposite direction, and would loosen the existing "ability to benefit" criteria which Congress passed last year in the Budget Reconciliation bill.

It might be helpful to review a brief history on this issue. As you know, Mr. Chairman, prior to 1976 there was no "ability to benefit" provision in the criteria for eligibility for federal postsecondary aid. The provision was first added in the Higher Education Amendments of 1976 and then expanded to include proprietary institutions in 1978.

The initial legislation allowing non-high school graduates to be eligible for federal aid left it to the institution to determine the student's "ability to benefit" from the educational program. Within a few years, however, it became clear that this was an area of considerable abuse, and over the years Congress has tried various formulations to limit the institutions' discretion. Beginning in 1986, Congress required the institution to either use a "standardized" test to show ability to benefit, or provide remedial counseling to the student. Two years later Congress changed that and required both testing and counseling.

Yet the stories such as those related by Rep. Waters before the Subcommittee a couple of weeks ago continued. Similarly, the Inspector General of the Department of Education has highlighted improper practices by institutions in documenting "ability to benefit" as a prime area of abuse in the higher education programs.

Last fall in the Budget Reconciliation Act, Congress adopted new language intended to further reduce the control of the institution in making the determination. The current language provides that in order to be eligible for federal financial aid as an "ability to benefit" student, the student must "pass an independently administered examination approved by the Secretary."

The Department has implemented this language by approving a list of national tests, initially 14 tests, and subsequently 6 others. The tests range from the ACT and SAT and other well-known tests, to a test which was developed for the purpose of evaluating non-English speaking students' English language competency to attend high school.

I might add that the G.E.D. is also on the approved list. However, the Department also established the standard for "passing" the approved tests. Since the individual states generally set their own passing scores for the G.E.D, "passing" for purposes of federal aid does not necessarily mean "passing" for purposes of receiving certification of high school completion from the state.

I suspect that our subsequent witnesses will say that the current situation is confusing and the Department of Education's actions somewhat arbitrary. I agree.

Our response, however, should not be to turn back and again loosen the discretion of institutions to make their own determinations about students' "ability to benefit" when they have not completed high school. "Ability to benefit" students are not huge numbers in postsecondary education - estimates I have seen are that about 2.5% of all students in postsecondary education do not have a high school diploma or a G.E.D. I don't think it is surprising, however, that these students are amongst the most risky borrowers of student loans. In 1987 the Department of Education found that 2% of non-defaulting borrowers were admitted under this category, while 9% of defaulters did not have a high school degree or GED. For no other "high rsk" factor was the spread so great. (from 1987 National Postsecondary Student Aid Survey, U.S. Dept. of Ed.)

Even if that were not the case, however, it is the wrong message for us to send about the importance of completing high school, or its equivalent, when we allow those who have not gone through that effort to be eligible for postsecondary aid. And I do not believe, Mr. Chairman, that in the 1990's, we do any favor for any student when we encourage them, by giving them federal loans, to attend a postsecondary institution without having achieved minimum high school competencies in reading and writing and math.

Let me add that many, if not most, of the good proprietary schools already have a policy of not accepting students on the basis of "ability to benefit." In my district, we have a proprietary school which prepares students for careers in cosmetology. That school has required a high school diploma or G.E.D. for many years. The same is true for the business career schools and others.

Obviously, the problem of whether students are adequately "prepared to benefit"--which I think is a better phrase than "ability to benefit"--from postsecondary education is a broader one than just focusing on those who are admitted without a high school diploma. Unfortunately, in too many cases a high school diploma is itself no longer a good indicator or "proxy" for being "prepared to benefit" from postsecondary education, whether it be a traditional college or vocational-technical education. I hope that this Committee will move in the direction of demanding more from our secondary schools and students. One of the ways to effect that would be to adopt the President's proposal for a national assessment of students.

Until we are ready to move in that direction, however, a high school diploma is the best, most fair, proxy we have, and I think it is time to make the Higher Education Act reflect that.

Thank you/

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102d CONGRESS
1st Session

H. R. 337

To amend the Higher Education Act of 1965 to require a high school diploma or recognized equivalent as a prerequisite for Federal student financial assistance.

IN THE HOUSE OF REPRESENTATIVES

January 3, 1991

Mr. Henry introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To amend the Higher Education Act of 1965 to require a high school diploma or recognized equivalent as a prerequisite for Federal student financial assistance.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. FINDINGS.

The Congress finds that—

(1) completion of secondary school or its equivalent is increasingly important to finding and maintaining employment and participating fully in society;

(2) the Federal Government, and governments at all levels, strongly encourage completion of secondary

school, whether or not postsecondary education is pursued; and

(3) Federal financial aid programs for postsecondary education should require the recipients to have completed secondary school or its equivalent as a condition to receiving financial assistance.

SEC. 2. AMENDMENTS.

(a) ELIMINATION OF ABILITY-TO-BENEFIT PROVISIONS FROM STUDENT ELIGIBILITY REQUIREMENTS.—Subsection (d) of section 484 of the Higher Education Act of 1965 (20 U.S.C. 1091(d)) is repealed.

(c) CONFORMING AMENDMENTS.—

(1) Section 435 of such Act (20 U.S.C. 1087) is amended—

(A) in subsection (b)(1), by striking ", or who are beyond the age of compulsory school attendance"; and

(B) in subsection (c), by striking paragraph (1) and inserting the following:

"(1) admits as regular students only persons having secondary education, or the recognized equivalent of such certificate;".

(2) Section 481 of such Act (20 U.S.C. 1088) is amended—

(A) by striking the second sentence of subsection (b); and

(B) by striking the second sentence of subsection (c).

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102d CONGRESS
1st Session

H. R. 907

To amend the Higher Education Act of 1965 to permit alternative methods for qualifying "ability-to-benefit" students for Federal student financial aid.

IN THE HOUSE OF REPRESENTATIVES

February 6, 1991

Mr. Miller of California (for himself, Mr. Martinez, Mrs. Unsoeld, Mr. Serrano, Mr. de Lugo, Mr. Fuster, Mr. Lewis of Georgia, Mr. Edwards of California, Mr. Berman, Mr. Matsui, Ms. Pelosi, Mr. Dornan of California, Mr. Dellums, Mr. Condit, Mr. Lagomarsino, Mr. Fazio, Mr. Vento, Mr. Kostmayer, Mr. Towns, Mr. Roybal, Mr. Bustamante, Ms. Ros-Lehtinen, Mr. Torres, Mr. Richardson, and Mr. Ortiz) introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To amend the Higher Education Act of 1965 to permit alternative methods for qualifying "ability-to-benefit" students for Federal student financial aid.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. RESTORATION OF GED AND COUNSELING OPTIONS FOR ABILITY-TO-BENEFIT STUDENTS.

Section 484(d) of the Higher Education Act of 1965 (20 U.S.C. 1091(d)) is amended to read as follows:

"(d) ABILITY TO BENEFIT.—(1) A student who is admitted on the basis of the ability to benefit from the education or training in order to remain eligible for any grant, loan, or work assistance under this title shall—

"(A) receive the general education diploma prior to the student's certification or graduation from the program of study, or by the end of the first year of the course of study, whichever is earlier;

"(B) be counseled prior to enrollment and, if necessary, be enrolled in and successfully complete an institutionally prescribed program of remedial or developmental education not to exceed one academic year or its equivalent;

"(C) prior to enrollment, pass an independently administered examination approved by the Secretary; or

"(D) be determined by the institution as having ability to benefit from the education or training in accordance with such process as the State (in which the institution is located) or an agency of such State (other than the institution itself) shall prescribe.

"(2) Notwithstanding any other provision of law, this subsection shall not be interpreted either—

"(A) to require the determination of ability to benefit from the instruction offered by an institution of any student who does not seek any grant, loan, or work assistance under this title; or

"(B) to affect the admission of any such student.

"(3) Notwithstanding paragraph (1), a student enrolled in either an elementary or a secondary school shall not be eligible for any grant, loan, or work assistance under this title.".

SEC. 2. CONTINUATION OF TESTING REQUIREMENT FOR PROPRIETARY INSTITUTIONS.

Section 481(b) of the Higher Education Act of 1965 (20 U.S.C. 1088(b)) is amended—

(1) in the second sentence, by striking "under section 484(d)" and inserting "in accordance with section 484(d)(1)(C)"; and

(2) by striking the last sentence.

SEC. 3. DECOUPLING ABILITY-TO-BENEFIT FROM INSTITUTIONAL ELIGIBILITY.

Section 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a)) is amended by striking out "and who meets the requirements of section 484(d) of this Act".

SEC. 4. EFFECTIVE DATE.

The amendments made by this Act shall apply with respect to periods of enrollment beginning on or after January 1, 1991.

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102D CONGRESS
1ST SESSION

H. R. 553

To repeal the testing requirements imposed on ability-to-benefit students by the Omnibus Budget Reconciliation Act of 1990.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 17, 1991

Mr. COLEMAN of Texas (for himself, Mr. BUSTAMANTE, Mr. BRYANT, Mr. ERDREICH, Mr. ROYBAL, and Mr. TORRES) introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To repeal the testing requirements imposed on ability-to-benefit students by the Omnibus Budget Reconciliation Act of 1990.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. REPEAL.

Section 3005 of the Omnibus Budget Reconciliation Act of 1990 is repealed.

SEC. 2. EFFECT OF REPEAL.

Sections 484(d) and 481(b) of the Higher Education Act of 1965 (20 U.S.C. 1091(d), 1088(b)) shall, after the date of enactment of this Act, be applied as if section 3005 of the

Omnibus Budget Reconciliation Act of 1990 had not been enacted.

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Mr. **Andrews**. Thank you very much, Mr. Henry.

One question I would have: Your proposal establishes a predicate requirement for financial aid, or reestablishes one. And that's a high school diploma or a GED.

Mr. **Henry**. Or a GED certificate, of course, which is offered through all the States. In fact, the GED for several years had declined in usage. Last year, it took a major, major surge. I think something like 400,000 GED certificates were issued last year. Except for two or three States, every single State has continuing education, adult education requirements that offer GED equivalencies and/or straight high school completion free of charge. A student does not need Federal money to get a high school equivalency. We ought to start there. Why should we say that Federal monies ought to be directed towards higher education, postsecondary education to someone that doesn't have a GED certificate. That is basically the thrust.

Mr. **Andrews**. You anticipated my question, which is: Is there any evidence or are there any data out there, which talk about whether the supply of available opportunities in the GED programs is equivalent to the need? In other words, how—putting it in English—how simple and how accessible is it for a person who wants to get a GED to get one?

Mr. **Henry**. It is extremely accessible. It is the most widely used test of its type across the Nation. It is used extensively in Canada, as well. It is almost universally available; although, obviously, there are instances in which that exception has to be addressed. Of course, we do have continuing and adult education funding that we give to the States for this very purpose.

Mr. **Andrews**. Is it, to your knowledge, the exception or the rule that GED programs are free of charge for people?

Mr. **Henry**. It would be the rule by and large that GED programs are free of charge to people through public education. That is correct.

Mr. **Andrews**. Are they generally accessible to people living in rural areas?

Mr. **Henry**. Yes, they are generally, although you will have exceptions.

Mr. **Andrews**. Thank you.

Mr. Reed, do you have any questions?

Mr. **Reed**. Yes.

Mr. Henry, is the contemplated effect of your proposal to require that everyone have a GED or high school diploma in order to qualify?

Mr. **Henry**. That is correct. And given the fact, Mr. Reed, that one of the problems you have is that we will never be able, obviously, to meet all the needs or all the things that we would like to do in terms of making Federal funds available for students who are desirous of postsecondary educational opportunity.

Why ought we not, then, to encourage the system in terms of the message we send for the completion of a high school diploma or at least of getting the GED certificate as a criteria for that assistance. Why would we fund someone who has not taken that initiative at the expense of someone who has subjected himself or herself to that discipline and has demonstrated that academic discipline.

There is an interesting study that just came through on the use of the GED and its increase and an interesting quote that was attached to it. It cites how highly private industry looks at those who, in fact, do take the GED, because the final exam is like a 6 hour package of exams and it says so much about the student who will work toward taking that exam.

Now one of the concerns which you will hear about later and the other approach to this is: What about the person, who—because of an English language deficiency, for example—can't get through that GED. That does raise an interesting question. The Department of Education has established 14 tests. The National Accrediting Commission of Cosmetology, Arts and Sciences just commissioned in independent study to look at what exams might be utilized credibly in terms of getting disciplines, in terms of getting the proper ability to benefit test out there.

Now the independent consultant looked at the English as a Second Language test. Here is what their independent consultant said about this test. It is designed to help assess whether a high school student is ready for English language instruction. As such, it makes an excellent supplement to assessing the ability of non-native speakers enrolling in programs where the language of instruction is English.

The publisher recommends a minimum score of 50 before students are main-streamed. Under no circumstances should this test be used as the sole criteria for ability to benefit admissions. The required English level is comparable to that of a native speaker in the fourth or fifth grade. This is to measure a student's ability to benefit by English instruction. This happens to be one of the tests that the Department of Education has just approved for the ability to benefit provisions.

Now I think you really have a fundamental question here. I am concerned about the student who has English language deficiencies. I mean obviously that is a problem, particularly as we look at changing demographics in America. But does it make sense to use Federal dollars to give postsecondary educational opportunity to someone that has got a fourth or fifth grade level of English proficiency going into the classroom. It is fundamental dilemma.

Mr. **Reed**. If I could just follow up with one question, which echoes, I think the line of questioning from Mr. Andrews?

That is: It would seem to me that if we follow this approach, not only would we have to insure that the GED is free, but that there are actually structures in the States so people could access it. We know that high school education is essentially mandatory, but GEDs and secondary education are not.

In your development of your proposal, have you considered the effects at the State level in terms of are States prepared now to basically have as a gateway a high school diploma or GED in order to get Federal assistance?

Mr. **Henry**. Well, we do have in separate legislation, adult education grants that are given directly to the States. I was on the Michigan State Board of Education for 4 years. Of course, this is a primary target—to raise high school completion across in the workforce. The data is very encouraging in terms of the renewed interest of this in the workforce for the very obvious reasons that the skills are demanded in the workplace are going up. We ought to recognize that, it seems to me, and not diminish that. This has a very profound role in terms of, first of all, encouraging our school districts to be doing this. And secondly, not discouraging students or diminishing the importance of getting that high school diploma. What concerns me is that the present process not only has created the financial abuses on it, but is a disincentive, in some respects, to complete that basic education that we want our kids to have.

Mr. **Reed**. Just one final point. Not only is there a category of students who might have language difficulties, but there is a category of students who simply—either because they don't enjoy academics or they have some other problems that, in fact, would be benefitted by technical training, hands-on training which is afforded in some of these institutions. Yet, this proposal might be an insurmountable obstacle to them going in and doing the truck-driver training or the things that don't require some of the skills you need for a GED, but might provide them with an adequate living.

Mr. **Henry**. I am sure, though, you understand how quickly the workplace is changing. I mean every time I am in a factory or even in a proprietary school, I am just amazed at the upgrading of skills. There would be very, very few professions, even in the trades, where you wouldn't be looking for high school equivalencies. The added caveat I would place on that is in terms of a national policy where you have to pick between candidate A and candidate B. And there is only X number of dollars in the pot. Should we penalize candidate A because he took the disciplines of finishing high school in order to help candidate B who didn't. After all, it is called post-secondary education.

Mr. **Reed**. Thank you, Mr. Henry.

Thank you, Mr. Chairman.

Mr. **Andrews**. Mr. Henry, just one other follow-up. There has been recent evidence about the Ohio experience, where the State of Ohio is offering free GED testing and preparation. They have had a 40 percent increase in the number of people taking and passing the test.

How would you react to a proposal to add to your idea, an idea that would require the States to provide free access to the GED test?

Mr. **Henry**. If they had a system in doing so, I would be very, very interested in doing that. It also fits in very nicely with some of our national literacy programs.

Mr. **Andrews**. I guess the other final question I have: What about the person—I think Mr. Reed was getting to—what about the person who, for reasons of cognitive deficiencies or other kind of learning problems—just has a very hard time passing the GED, just can't do it? What do we offer that person?

Mr. **Henry**. Well, you can address that by way of exception, rather than addressing it by rule which is presently practiced, which has opened the gateways to where you have tremendous abuses in the program. I think we recognize that this is where we have had abuses of some notoriety. What I am trying to do is get a very clean standard that addresses that problem.

Mr. **Andrews**. Thank you very much.

Mr. Hayes or Mr. Sawyer, if you—we are about done with our witness, but if you would like to?

Mr. HAYES. I have no questions or comments, Mr. Chairman.

Mr. ANDREWS. Thank you very much.

Mr. HENRY. Thank you, Mr. Chairman. Could I have one more point? I should have made it at the beginning. I come very proudly from the district in Grand Rapids, Michigan, which had the first and most comprehensive adult basic education program in the United States. I remember when we were kids, we read those James Thurber stories about the adult education programs for immigrants streaming through New York. I just want you to know that my home district had the first program in the United States through its school district.

Mr. ANDREWS. Very good.

Mr. HENRY. Thank you.

Mr. ANDREWS. Thank you very much.

We are very privileged to have on our next panel, Dr. Dennis Brown, who is Division Chair of Communications for the El Paso Community College in El Paso, Texas. He is going to be introduced to us by his representative, Congressman Ron Coleman.

We also have Dr. David Mertes, the Chancellor of the California Community College from Sacramento, California.

Dr. Mertes, did I pronounce your name correctly?

Mr. MERTES. That is correct.

Mr. ANDREWS. Thank you.

Congressman Coleman?

STATEMENT OF HON. RONALD D. COLEMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. RONALD COLEMAN. Thank you, Mr. Chairman.

Let me say at the outset that I couldn't disagree more with the gentleman who just preceded me, Congressman Henry's view of testing. I think it works as a bar to people to prevent them from getting an education. I think that is exactly the opposite of what we should be doing.

I happen to agree with Peter Drucker, as he wrote in his recent book entitled, "The New Realities," when he said the educational system that we need must be an open system. It must not make into an impenetrable barrier the line between the highly-schooled and "the other half." I do subscribe to that. I believe that able and achieving people need to have access to education, and through it, to upward mobility whatever their origin, wealth or previous schooling. I agree with Peter Drucker's remarks and statements in the "New Realities."

After conversations with students and administrators at the El Paso Community College and the El Paso trade schools that were affected by OBRA-90, I decided to introduce H.R. 553 as a remedy. It would, as you know, repeal those requirements.

I would also, of course, like to thank Chairman Ford and this subcommittee and the full Education and Labor Committee for passing earlier in the year legislation called the Higher Education Technical Amendments Act, H.R. 1285, which did recognize the problems with ATB testing requirements in OBRA-90, and it corrected them through that legislation.

I have received a good deal of information suggesting many flaws in the ability to benefit testing requirements, particularly the Spanish test approved by the Department of Education. It makes one wonder from time to time if anyone over there speaks Spanish.

I would like to introduce Dr. Brown, the Division Chair for Communications at the El Paso Community College. I would tell you, first of all, it is a multi-campus school of 17,000 plus students, whose student population is 82 percent minority, and primarily Hispanic. He is a respected educator who has over 17 years of higher education experience at the college, as well as at Arizona State University. He received his Ph.D. from New Mexico State University in Educational Administration and Organizational Communication.

More importantly about Dr. Brown, though, is that he is deeply concerned about the well-being of our Nation's students.

Thank you, Mr. Chairman.

Mr. ANDREWS. Thank you very much, Mr. Coleman.

Welcome, Dr. Brown.

STATEMENT OF DENNIS BROWN, DIVISION CHAIR, COMMUNICATIONS, EL PASO COMMUNITY COLLEGE, EL PASO, TEXAS

Mr. BROWN. Thank you very much.

Chairman Andrews, members of the House Subcommittee on Postsecondary Education and Representative Ron Coleman, I want to begin by thanking you for allowing me to be here today and share with you some testimony regarding the ability to benefit legislation. I would ask that my entire written statement be included in the record.

Mr. ANDREWS. Without objection.

Mr. BROWN. Thank you.

As an administrator from a community college, which has a minority population of over 82 percent, most of those being Hispanic students, I come today to share some grave concerns with you about the legislation, concerns that are also shared by a number of institutions similar to ours.

Two of the greatest barriers that students, particularly minority students face when they enter higher educational institutions are language proficiency and socioeconomic status. Though institutions of higher education, in general, are experiencing a great influx in minority students, it is the community colleges of the Nation which are serving the largest number of the minority population.

The issue we are addressing here today is a Catch-22. The Catch 22 is this: The native English speaking student needs language training in order to be successive in higher education courses of study. On the other hand, the ability to benefit legislation is going to prohibit a number of students well deserving, qualified students from participating in this higher education.

Data analyzed for the spring 1990 semester at El Paso Community College revealed that from the graduating class that May, 10 percent of those students were former English as a Second Language students. Another revealing statistic: 70 percent of the students who pursue coursework in occupational or transferred courses of study passed those courses and received college credit. The ESL students not only do as well as the native speakers, but in fact, many of them do even better than the native English speakers.

The recent legislation requiring testing to determine ability to benefit will most certainly impede access and success to these minority students and higher education. The discriminatory nature of this legislation lies in the requirement that students must pass a multiple choice test as a prerequisite to enrollment and also the receipt of Title IV funds and financial aid support.

Minority students typically do not do as well on standardized tests as the majority of the population. The use of a single measure—in this case, a paper-pencil test, to determine enrollment in higher education courses, has not even been validated. In fact, the National Center for Open and Fair Testing reported that the Educational Testing Service, the College Board and other testing companies do not even recommend that their test be used to determine if the student is ready for enrollment in higher educational institutions.

During the colloquy between Representatives Ford and Miller, Representative Ford indicated that—and I quote—"Passing scores should be based on validity, reliability and predictiveness of the examination for students with similar characteristics." If, in fact, the predictability of the tests to determine ability to benefit could be validated, we would have less concern with this requirement in the legislation. However, it is highly unlikely that any reputable testing company would make such a claim. Certainly, none has done so to date.

Additionally, it is unlikely that any testing company or research agency has compiled sufficient data to link their test results, their test scores to the ability to benefit from a postsecondary education. Moreover, multiple choice tests have several problems, two in particular. The cut-off scores are arbitrary by nature. Secondly, the culturally bound nature of tests makes cut-off scores totally unfair. The short-sightedness of this legislation is evidence for an insignificant savings now in dollars most certainly will be far outweighed later in overwhelming welfare expenditures for these students later.

The community college is a uniquely American concept. For years, it has provided instruction to these students and has experienced a high rate of success throughout the Nation. The accountability for serving these students lies with local governing boards, State agencies and regional accrediting associations. On behalf of these students, I am appealing to this committee to take a proactive role in changing this legislation. Without change, not only will minority student enrollments be set back over 30 years, but also, effectively, we are barring these students from higher education.

In January of 1991, the American Council on Education recorded in their 9th Annual Report on Minorities in Higher Education that Hispanics are, "grossly under-represented at every rung of the education ladder." The ability to benefit legislation will surely increase this under-representation.

Included in this written testimony are four case histories. Two of these case histories are success stories of English as a Second Language students at El Paso Community College. Caught in the transition between two languages, these students could have fallen victim to the ability to benefit testing. Fortunately, they were allowed to enroll. They were assessed. They were counseled, and they were advised. And they succeeded.

The other two case histories reflect adults who aspired to attend El Paso Community College and in all likelihood, would have seen the same success as Maria del Consuelo, Martinez and Jose Armendariz. Unfortunately, they did not meet the arbitrary testing requirements of the Department of Education this past January and were prohibited from enrolling in the college. They had limited educational background and little or no English proficiency, but they had the potential to succeed in postsecondary education.

What is the solution? We would ask this committee to reinstate the previous regulations which allow community colleges to assess, council, advise and prescriptively remediate ability to benefit students. Current Title IV financial aid guidelines allow 30 credit hours of remediation for English speaking students and a reasonable time for the non-native speaker to pursue English language proficiency. We are well aware that not every student can and should be served in this manner. However, when deemed ready by a community college, college or university for pursuit of higher education, they should be granted this access.

Congressman Coleman's bill, H.R. 553 would allow community colleges to use their professional judgment in assessing student potential by returning to the previous ability to benefit regulations.

In closing, El Paso Community College would like to commend the efforts of Congress and the Department of Education in reducing student loan default rates and other Title IV abuses. Increasing the level of education of low income minority students must include the broader picture of getting the student into college so that they can be successful, they can be productive tax-paying citizens.

Lyndon Baines Johnson, author of Chapter 1 reforms, once said, "Education was the great equalizer of a free people."

Mandatory testing is an arbitrary and capricious means, if not un-American, of barring people with greatest need or access to this great equalizer.

I would like to thank the committee for allowing me to present the testimony today. I would also like to ask that the testimony from the National Center for Fair and Open Testing also be included in the record.

Mr. Chairman, this concludes my testimony this morning.

Mr. ANDREWS. Dr. Brown, thank you. Without objection, your request will be consented to.

[The prepared statements of Dennis Brown and the National Center for Fair and Open Testing follow:]

TESTIMONY PRESENTED TO THE UNITED STATES HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON POSTSECONDARY EDUCATION

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

ABILITY TO BENEFIT PROVISION

Testimony Prepared and Delivered by

Dr. Dennis E. Brown

El Paso Community College

El Paso, Texas

Case Histories Prepared by

Ms. Lydia Perez

Dr. Ramon Dominguez

June 5, 1991

Washington, D.C.

Chairman Ford, Members of the House Subcommittee on Postsecondary Education, Representative Ron Coleman, let me begin by thanking each of you for the opportunity to address this Committee today. I would ask that my entire written statement appear in the record. As an administrator from a community college whose student population is 82% minority, primarily Hispanic, I am here today to share with you the grave concerns El Paso Community College and institutions like ours have regarding the recent legislation on Ability to Benefit.

Two of the greatest barriers to the success of minority students in higher education are socio-economic status and language proficiency. Though institutions of higher education in general are experiencing a great influx of minority students, community colleges, with their open door policies and at-risk student focus, serve by far the largest numbers of minority students.

The issue we are addressing today, Ability to Benefit, is a Catch 22. The Catch 22 is that the non-native English speaker needs language training to enable him/her to successfully pursue a college course of study; however, the ability to benefit legislation will bar these students from obtaining federal financial support. The consequence of this is that low income minority students will effectively be denied access to higher education.

In the twenty years that El Paso Community College has been educating minority adults who lack English proficiency, thousands of students have entered the institution in search of a brighter future through the pursuit of marketable job skills and an education transferable to a university or college. In 1979 the College aggressively researched, designed, and implemented a comprehensive transitional program of second-language-development that would take the student from his/her current English language proficiency to an advanced stage of reading, writing, speaking, and listening at the college level. As educators, and specifically as educators dealing with at-risk minority students, we know the consequences that result when students without sufficient basic skills to read the texts, write the papers and speak the vocabulary enter college and pursue college level academic or vocational programs of study. Regardless of whether the student's native language is English, they will not achieve success unless they can fully participate in each and every communication experience.

Our transitional English as a Second Language Program is directed to this end, namely the successful completion of an occupational or transfer program of study. As a way for minority students to achieve success, this program currently provides over 3,000 language diverse students with the critical tools needed to compete with native English-speaking students in a demanding, highly sophisticated, complex, and ever-changing educational environment.

Data analyzed for Spring 1990 revealed that 10% of El Paso Community College's graduates were former English as a Second Language (ESL) students. Another revealing statistic shows is that over 70% of the ESL students enrolled in college-level occupational and academic courses actually received credit for those courses.

Independent departmental assessment of performance at the end of a course shows that ESL students as a group have a greater than 90% pass rate in most levels. ESL students not only do as well as native speakers, but in some instances do much better.

The recent federal legislation requiring testing to determine ability to benefit will most certainly impede the success of minority students. Briefly stated, this new legislation requires students without a high school diploma or GED who are seeking Title IV financial aid funds to pass a Department of Education approved test prior to enrollment in courses in postsecondary institutions. If this legislation stands, many deserving minority students will find the door to higher education closed.

The discriminatory nature of this legislation lies in the requirement that students must pass a multiple-choice test as a prerequisite to enrollment and Title IV support. Minority students, who typically do not perform well on standardized tests, will be excluded from postsecondary education in higher numbers than the majority population. The use of a single measure, in this case a paper-pencil test, to determine enrollment in higher education courses has not been validated. In fact, the National Center for Fair and Open Testing in Cambridge, Massachusetts reported that most of the major testing companies, such as the Educational Testing Service and the College Board, discourage the use of a single measure, as in one test, to determine access to higher education. For minority students this legislation closes off a heretofore viable avenue, community colleges, for gaining job training and transfer education. At-risk minority students, who up to this time have been effectively educated and trained by community colleges, will find themselves without a place to acquire this education and training. For most such students, the community college is the only economically reasonable option.

During the colloquy between Representatives Ford and Miller, Representative Ford indicated that "passing scores should be based on validity, reliability, and predictiveness of the examination for students with similar characteristics." If, in, fact the predictability of the tests to determine ability to benefit could be validated, there might be less concern about using a test for such a purpose. It is highly unlikely that any reputable testing company would make such a claim. Certainly, none has before. Additionally, it is unlikely that any testing company or research agency has compiled sufficient data to link a given test to predicting ability to benefit. Compounding this is the desire to match passing scores to student and program characteristics. Even psychometrists would concur that this is a monumental, if not insurmountable, task.

Moreover, multiple-choice tests have several problems. Two critical concerns, noted by the National Center for Fair and Open Testing, are these:

1. Cut-off scores are arbitrary by nature. According to the National Commission on Testing and Public Policy, a Ford Foundation-funded blue-ribbon panel which recently completed a three-year study on the impact of testing in

schools and work places, cut scores exhibit the following pitfall:

> [they have] no scientific basis analogous to that underlying 32 degrees Fahrenheit on the temperature scale, and no physical basis analogous to a cutoff score of 20/250 on the scale of visual acuity used to define legal blindness. Other cut-scores used in public policy such as speed limits, air pollution standards, and tax brackets are also arbitrary. However, they do not go into effect without extensive public hearings, debate and legislative action.

2. The culturally-bound nature of tests makes cut-off scores unfair. Differences in group performance on tests are the result both of an inequitable educational system and of the culture bound nature of such tests, which, the National Commission says, "almost always reflect the dominant or 'national' culture in both form and content." As an indication of the unfairness of such tests, majority and minority candidates in fact demonstrate relatively small differences on actual performance, and females actually outperform males in college. Test coaching, which many studies have shown to be effective, adds an income-related bias to multiple-choice tests: those who can afford it can, in effect, "buy" an advantage.

Those of us who work with these students see their faces, see their hopes and aspirations, know that we are not talking about dollars and cents, but about real people-people who need and deserve a chance. The shortsightedness of this legislation is evident, for an insignificant savings now will be far outweighed by overwhelming welfare expenditures later. Testing for enrollment and financial aid is a poorly-veiled attempt to discriminate against, to exclude, and to prevent a group of Americans from improving their level of education.

In 1986 this nation opened its doors to large numbers of Mexican immigrants through the Amnesty Program. The nation now appears to have reneged on the promises made to those it granted amnesty with implementation of the Ability to Benefit legislation. The education agenda for the 21st century must be to educate and train these new members of our proud nation of immigrants. However, restricting access to higher education simply on the basis of a single test score is extremely narrow-minded and invalid. It is particularly Un-American to those students whose colleges have assessed them as having the potential to successfully pursue a college education. The community college, a uniquely American concept, for years has provided instruction to these students and experienced a high rate of success. The accountability of performance is assured through local governing boards, state agencies and regional accrediting associations.

On behalf of these students, I am appealing to this Committee to take a proactive role in changing this legislation. Without changes, not only will minority student enrollment in higher education be set back 30 years, but minority students will be effectively barred. In January 1991, the American Council on Education reported in the Ninth Annual Report on Minorities in

Higher Education that Hispanics are "grossly underrepresented at every rung of the education ladder." In fact, the report revealed that high school graduation rates for Hispanics have decreased from 62.8% in 1985 to 56% in 1989. If this is a trend, then ever greater numbers of Hispanic students will be required to pass a test just to gain access to higher education. Black Americans are reported to have only slightly better high school completion rates. Even more discouraging is that only 16.1% of Hispanics 18 to 24 years old were enrolled in college. The Ability to Benefit legislation will surely reduce this number further.

The recently passed Technical Amendment (H.R. 1285) corrected some of the critical problems with the legislation: determining institutional eligibility for Title IV funds, testing only financial aid recipients without a high school diploma or GED, and delaying the effective date of Ability to Benefit legislation. However, two of the fundamental concerns with the Ability to Benefit legislation must still be addressed. These concerns are the use of testing as the single measure of preparedness to pursue a postsecondary education and the discriminatory nature of the law which now imposes testing on those students with the lowest incomes (demographics will show that minority populations will make up a significant portion of those tested). This double standard, "if you have money you have access, and if you do not, you are denied access," is unacceptable.

During the presentation of the Higher Education Technical Amendment of 1991 to the House of Representatives, the Honorable

William Ford thanked both Representatives Coleman and Miller for highlighting "the problems with respect to educational opportunities for ability to benefit students created by last year's reconciliation bill." Representative Ford further stated that the ideas contained in these two bills "certainly have our attention and merit very serious consideration as a part of our higher education authorization." We thank Representatives Ford, Coleman, and Miller, and the Subcommittee on Postsecondary Education for creating this forum for open debate.

Included in this written testimony are four case histories (Exhibits A through D). Two of the case histories (Exhibits A and B) describe the perseverance, commitment, and sacrifice of two El Paso Community College graduates who have shown that limited English proficient minority students, given the opportunity and financial support, can succeed. Caught in the transition between two languages, these students could have fallen victim to the ability to benefit testing. Fortunately, they were allowed to enroll on the basis of assessment, counseling, and advising.

The other two case histories (Exhibits C and D) reflect adults who aspired to attend El Paso Community College, and in all likelihood would have seen similar success as Maria del Consuelo Martinez and Jose Armendariz. Unfortunately, they did not meet the arbitrary testing requirements of the Department of Education. They too were caught in the dilemma of having a limited educational background and little or no English proficiency. Under these circumstances, it is difficult to expect students to perform at the level specified by the Department of Education. Compounding this situation are the pressure and anxiety associated with the student's knowing that if he/she does not pass the test, his/her dreams of a higher education have come to a screeching halt.

This situation is particularly unnerving for high school dropouts who look to the community college as their second chance. An editorial appearing in the February 4, 1991 edition of Community College Week observed that the community college is the cornerstone of a rescue network for at-risk students.

> An even greater loss [from Ability to Benefit testing] would be the largely unrecognized rescue network which has evolved over the last 20 years to recapture those adults who "fell out" of the traditional schooling system before receiving a secondary diploma. At the very heart of this network has been the community college, fed by vocational rehabilitation offices, prisons, state employment development offices, and various community organizations. Each of these agencies and institutions, while serving radically different clienteles, has been able to utilize community college educational programs to recapture uncredentialed adults and equip them with the skills and training prerequisite to "information age" employment. In many parts of the nation, the need for this nontraditional network is greater than generally realized. Attainment of a secondary diploma is far from universal. In some large metropolitan regions, fully a third of all adults lack a high school diploma. Minority attrition rates (recent data indicate that 65% percent of Detroit's black males drop out of high school) suggest that little improvement in the situation can be expected in the near future.

What is the solution? We would ask the Committee to reinstate the previous regulations which allowed community colleges to assess (criterion-referenced and/or diagnostic measures), counsel, advise, and prescriptively remediate students. Ability to benefit is best measured by examining a variety of factors, including previous education, assessment results, motivation, and life experiences. It is the job of the experts, in this case the educators, to match

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each student to skill level and ability. Current Title IV financial aid guidelines allow 30 credit hours of remediation for English speaking students and a reasonable time for non-native speakers to learn English. We are well aware that not every student can or should be served through these two options; however, those deemed ready by college should be granted access.

Congressman Coleman's bill (H.R. 553) would allow community colleges to use their professional judgment in assessing student potential by returning to the previous Ability to Benefit regulations. El Paso Community College which serves an 82% low income minority adult population along with our sister colleges serving a similar population wish to express our appreciation to the Honorable Ron Coleman for his efforts in providing equal access to higher education for all American citizens.

By contrast, Chester E. Finn, Jr., former Assistant Secretary of Education, recently wrote in a New York Times editorial (May 18, 1991) that "tough tests will aid minority students." I take exception to his statement. Mr. Finn contends that high school students have no incentive "for buckling down to learn." His solution is to impose new national tests and make college admission requirements tougher. Mr. Finn concludes that this will result in "young Americans who are schooled to world standards as proved by test results." Then and only then, he suggests, will students take learning seriously. We are to believe that this 'buckling down' behavior will coincidentally reduce the soaring dropout rate of minorities. This tough test mentality will do little more than increase testing company revenues and cause many students who do not test well to give up.

I am afraid, however, that what will result is in fact the evolution of an elitist educational system. In all likelihood, more, rather than fewer, students will be departing from high school without a diploma. No one objects to world-class standards or intellectual competitiveness. The fallacy of Mr. Finn's reasoning lies in the assumption that higher standards will also translate into better schools, better methodologies, better materials, better teachers, and better social programs to deal with the myriad of problems faced daily by low-income minority populations. Achieving these ends require additional funding, but in recent years new dollars have not been easy to come by.

As any community college educator can tell you, at-risk higher education students do not come to college with a lack of desire or motivation. In fact, it is this desire and motivation that drives them to successfully complete their studies.

Using a national test, probably multiple-choice, to determine college admission for all students is a step backward. Let us instead look at ways to improve our instructional delivery systems in K-12, and give the teacher the tools, time and environment necessary to produce Mr. Finn's world class results. All too often, we forget that when we compare the performance of our students to those of students in other countries, we are, in fact, comparing the performance of all of our students, not a select few. Very few countries provide, by law, the same kind of access the

United States is famous for and rightfully proud of.

There is no question that our educational system needs help. It needs help to educate all of our students. However, I would strongly caution against universal testing as a solution to all of the system's ills.

El Paso Community College commends the efforts of Congress and the Department of Education to reduce the student loan default rates and other Title IV abuses. Increasing the level of education of low income minority students must include the broader picture of getting the student into college so the success rate can rise. Lyndon Baines Johnson, the author of Chapter 1 reforms in public schools, once said that "Education was the great equalizer of a free people." Mandatory testing is an arbitrary and capricious means, if not Un-American, of barring people with greatest need from access to this great equalizer. I would like to thank the Committee for allowing me to present this testimony today. Mr. Chairman, this concludes my testimony this morning.

Exhibit A

Jose Armendariz

A man who grew up in a Mexican village with no schools was a finalist in the Teacher of the Year event sponsored by the Council of Chief State School Officers, which annually honors one of the nation's top teachers. Jose Armendariz, a teacher at Chaparral Elementary School, Gadsden, and a member of NEA-New Mexico, was one of four finalists for the honor. NEA Advocate, Vol. 14 No. 5 February, 1986.

Jose Armendariz traveled a long and often winding road leading to this national recognition. As a graduate of El Paso Community College and a former student in the English as a Second Language Program, Mr. Armendariz has indeed come a long way from the small mountain farming community of El Porvenir de Campesino, Chihuahua, Mexico.

Mr. Armendariz came to the United States as a migrant worker in 1961. He also held jobs as a truck driver for a furniture store in El Paso and worked as an auto mechanic in California. He began to study English and when he married he began attending classes at El Paso Community College. "I've always wanted to help other people learn," he says by way of explaining that he became a tutor at the college. He received an associate degree in applied sciences (refrigeration/air conditioning) and a second associate degree in education. He subsequently attended New Mexico State University in Las Cruces where he received his Bachelor of Science in Education with a specialty in Spanish in 1978. Recently he received a Master's degree from the University of Texas at El Paso.

His teaching career began as a bilingual specialist in Gadsden, New Mexico working with migrant children. A teacher for twelve years, Jose Armendariz is making up for lost time. He not only teaches elementary school students at Chaparral, but in the evening he teaches English as a Second Language to adults at El Paso Community College. His efforts in the teaching arena brought him honors as the New Mexico Adult Educator of the Year in 1984 and New Mexico Teacher of the Year in 1985.

Once in the United States, I foresaw the many opportunities provided for education in this country. I began to work and study during whatever spare time I had. Night classes have been part of my daily schedule since then. All my efforts have been rewarded with satisfaction.

The federal financial aid came in handy to begin my formal higher education. My wife and children provided familial support, which kept me going. We raised six children and kept up with our education.

Exhibit B

Maria del Consuelo Martinez

Maria del Consuelo (Chelo) Martinez started attending El Paso Community College in January 1988. After taking the necessary placement tests, she was placed in the third level of ESL. She was very successful and achieved high scores during this semester and as a result of this, Alice Wise, ESL Instructor, recommended that she start taking career courses and that she might be interested in taking a computer course.

Chelo started in the first course in the Information Processing major with Summer Session I, 1988. She became interested in studying computers and continued in the Information Processing Discipline until she completed a Certificate program in Spring, 1990 and an Associate of Applied Science Degree in Information Processing in Fall, 1990. She is presently pursuing a second associates degree in Office Administration and a second certificate in Accounting in which she only lacks two courses and four courses respectively.

None of these accomplishments were easy for Chelo to achieve. She started her studies with many concerns which tested her determination every step of the way. She first had to master the English language, re-enter the educational arena after a long absence, and meet personal challenges which at times could have prevented her from meeting her educational goals. Soon after enrolling at El Paso Community College, she underwent a divorce, incurred drastic financial burdens, and had to raise her three children on her own. At times personal problems became so overwhelming that Chelo was very close to quitting her studies. She states that only the drive and motivation she was receiving from her instructors along with her own desire to complete her program of study, kept her going.

She also indicates that not only was her life changed due to this experience, but so were the lives of her three children. Her two sons, aged 14 and 12, and her daughter, age 9, have been able to see their mother's added confidence and determination and to set similar goals. This is yet more proof that we in education touch not only the PRESENT but also the FUTURE. Through Maria del Consuelo Martinez' experience at El Paso Community College, a total of four lives were altered and four sets of dreams and aspirations were enhanced.

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Exhibit C

Javier Zaragoza
(translated in his own words)

My name is Javier Zaragoza. I am 23 years old. I live with my parents. We have lived in El Paso for three years. It has been very difficult finding employment for me, my mother and my brother because we do not know English and have limited job skills. Thus, we decided we would come to El Paso Community College to learn English and get employment skills.

When we started our admissions process, we were instructed to take the Ability to Benefit exam in order to get financial aid because we did not have a GED or high school diploma. When we learned we had not passed the test, we were very disappointed and did not know what to do. We were given an appointment to an Intervention Orientation. There the student assistant spoke to each of us alone and we were given a referral to ALPHA, another program within the College. My mother and I made our appointment with the ALPHA representative and now we are awaiting Private Industry Council sponsorship to enter ALPHA.

Meantime, we continue to search for work. My brother was fortunate because his employer paid his tuition to enter this summer. Once again, because of this law we did not come to school. It was very disappointing and frustrating to us because we had looked forward to entering El Paso Community College.

PRUEBA INSTRUMENTAL C

Javier Zaragoza
(con sus proprias palabras)

Mi nombre es Javier Zaragoza. Tengo 23 años de edad. Vivo con mis padres. Hemos vivido en El Paso durante 3 años. Ha sido muy difícil encontrar empleo para mí, mi madre y mi hermano porque no sabemos inglés y tenemos destrezas de trabajo limitadas. Por lo tanto, decidimos que vendríamos a El Paso Community College para aprender inglés y adquirir destrezas de trabajo.

Cuando iniciamos el proceso de admisión, recibimos instrucciones de tomar el examen de Habilidad para Beneficiarse para poder recibir ayuda financiera, proque no teníamos GED ni diploma de preparatoria. Cuando supimos que no habiamos pasado el examen, nos desilusionamos mucho y no sabíamos qué hacer. Entonces nos dieron una cita para una Orientación de Intervencion. Ahí el asistente de estudiantes habló a solas con cada uno de nosotros y se nos dio una referencia para acudir a ALPHA, otro programa dentro del Colegio. Mi madre y yo hicimos una cita con el representante de ALPHA y ahora estamos esperando el patrocinio del Private Industry Council para entrar a ALPHA. Mientras tanto, seguimos buscando trabajo. Mi hermano fue afortunado porque su patrón pagó su colegiatura para que entrara este verano. Una vez más, debido a esta ley, no venimos a la escuela. Fue muy decepcionante y frustrante para nosotros porque nos habiamos hecho la ilusión de entrar a El Paso Community College.

Exhibit D

Sonia Contreras
(translated in her own words)

My name is Sonia Contreras. I am 33 years old. I am married and have three children, ages 12, 11, and 7. Once my son entered kindergarten, I decided I would go to school. I have been attending the Ysleta Independent School District Adult Learning Center for the past nine months. I decided I wanted to come to EPCC. I started my admissions process. I was given instructions to take the Ability to Benefit exam in order to receive financial aid for school. I did not pass the Reading part of the exam. I had completed nine years in Mexico and have been in the United States 13 years. I felt very nervous at the time of the exam.

When I met with the student assistant at my Intervention Orientation, she informed me I had to wait two months to take the exam again. I felt confident I could pass it and did not want to wait but I was told I had to wait. I was so very disappointed because I was looking forward to entering EPCC. I wanted to come to EPCC to learn English and learn a job skill so I can seek employment.

PRUEBA INSTRUMENTAL D

Sonia Contreras
(con sus propias palabras)

Mi nombre es Sonia Contreras. Tengo 33 años de edad. Estoy casada y tengo 3 niños de 12, 11 y 7 años. Cuando mi hijo entró a kinder, decidí ir a la escuela. Yo había estado asistiendo al Centro de Aprendizaje para Adultos del Distrito escolar Independiente de Ysleta durante los 9 meses anteriores. Decidí que quería venir a EPCC. Inicié el proceso de admisión. Recibí instrucciones de tomar el examen de Habilidad para Beneficiarse para poder recibir ayuda financiera para la escuela. No pasé la sección de Lectura del examen. Yo había terminado 9 años en Mexico y había estado en Estados Unidos 13 años. Me sentía muy nerviosa cuando tomé el examen.

Cuando me reuní con la asistente de estudiantes durante mi Orientación de Intervención, ella me informó que tenía que esperar 2 meses para tomar el examen nuevamente. Yo me sentía segura que lo podía pasar y no quería esperar, pero me dijeron que tenía que esperar. Me decepcioné mucho porque yo tenía la ilusión de entrar al EPCC. Quería venir al EPCC para aprender inglés y adquirir una destreza de trabajo para buscar un empleo.

FairTest
National Center for Fair & Open Testing

Testimony to the Subcommittee on Postsecondary Education:

The National Center for Fair & Open Testing's remarks for the record on Ability to Benefit Testing

June 5, 1991

The National Center for Fair & Open Testing (FairTest) is a nonprofit organization devoted to stopping the overuse and misuse of multiple-choice testing and ensuring that tests are fair, open and educationally-sound. As the leading testing reform organization in the country, FairTest urges Congress to pass legislation that would either repeal or substantially broaden Ability to Benefit testing requirements. Such provisions constitute an improper use of tests even according to guidelines set forth by testmakers. Furthermore, many tests have been shown to be biased, inaccurate or irrelevant predictors of future behavior, such as success in an academic or training program.

The six principles discussed below explain why Ability to Benefit testing is harmful. They have been endorsed by the NAACP, National Center for La Raza, Mexican American Legal Defense and Educational Fund, Puerto Rican Legal Defense and Education Fund, and Center for Women Policy Studies.

Both the bills under consideration today, H.R. 533, sponsored by Representative Coleman, and H.R. 907, sponsored by Representative Miller, appear to meet the criteria laid out in the Principles.

(31)

Principles for Policymakers in the Ability to Benefit debate

Standardized Tests in Federal Post-Secondary Education Policy

Multiple-choice tests are often seen as simple, objective and inexpensive ways to solve complex problems, such as high student loan default rates or the abuse of the federal student loan system by some unscrupulous institutions. But, like many seemingly "easy" answers, arbitrarily imposing minimum test score requirements -- "cut-off scores" -- in an attempt to determine a student's "ability to benefit" from education or to award scholarships, creates more problems than it solves. Such test use often denies able students opportunities and could impose devastating and undeserved funding cuts on institutions. And because of serious problems with multiple-choice tests, they cannot provide genuine accountability to the U.S. public. So, instead of being accountable to states, students, and teachers, schools become "accountable" to a completely unregulated testing industry.

Principle 1: Cut-off scores on multiple-choice tests should not be mandated

*****Cut-off scores are arbitrary by nature***
According to the National Commission on Testing and Public Policy, a Ford Foundation-funded blue-ribbon panel which recently completed a three-year study on the impact of testing in schools and workplaces, cut scores have:

> *no scientific basis analogous to that underlying 32 degrees Fahrenheit on the temperature scale, and no physical basis analogous to a cutoff score of 20/250 on the scale of visual acuity used to define legal blindness. Other cut-scores used in public policy such as speed limits, air pollution standards, and tax brackets are also arbitrary. However, they do not go into effect without extensive public hearings, debate and legislative action.*
> --*From Gatekeeper to Gateway: Transforming Testing in America*
> Report of the National Commission on Testing and Public Policy

*****The inaccuracy of test scores makes cut-off scores unfair***
All tests are imprecise and thus misclassify people. For example, the SAT, a college admissions test taken by nearly 1.5 million students each year, has a margin of error of 68 points. That means a person's reported score could easily differ from his or her "true" score by 68 points due solely to the test's imprecision. So, when a cut-off score is used, many students whose "true" score is above the minimum will, in fact, score below the cut-off because of the test's inaccuracy. Since minorities, women and low-income test-takers on average score nearer to the cut score, these groups bear the brunt of test inaccuracy.

*****The culturally-bound nature of tests make cut-off scores unfair***
Differences in group performance on tests are the result both of an inequitable educational system and of the culturally bound nature of such tests, which, the National Commission says, "almost always reflect the dominant or 'national' culture in both form and content." The fact that majority and minority candidates demonstrate relatively small differences on actual *performance*, and that females actually out-perform males in college, further illustrates the unfairness of such tests. Test coaching, which many studies have shown works, adds an income-related bias to multiple-choice tests: those who can afford it can, in effect, "buy" an advantage.

Principle 2: Tests should never be used alone to make "high stakes" decisions about individual students

No test is good enough to serve as the sole basis for important educational decisions. Students should never be barred from enrolling in a post-secondary institution or receiving financial aid solely because of a test score. Even test-makers discourage such use unless it is properly "validated," that is, shown to measure what it claims to measure with minimal misclassification. If test-makers object to these misuses of tests, despite their interest in promoting the use of their products, the government should certainly avoid mandating them.

Principle 3: The government should not create de-facto admissions standards by enacting test score minimums

Many public four-year and community colleges were specifically created to be accessible to the very populations which face unfair discrimination from multiple-choice tests: low-income, minority and female students. By imposing arbitrary testing requirements, the Federal government inhibits the ability of these institutions to fulfill their own mission. Within reasonable limits -- which should be determined by accrediting agencies -- states and institutions should be able to set their own admissions requirements.

Principle 4: Multiple-choice tests alone are not the best way to evaluate students and programs

Multiple-choice tests are a poor yardstick of a student's capacity to benefit from post-secondary education. They do not measure the ability to write, use math or to make meaning of a text when reading. Nor do these tests adequately measure thinking skills or assess what people can do on real-world tasks. Though such exams are often called "objective," the only non-subjective element is that they are scored by machine. Everything else -- decisions about what items to include, what constitutes the "right" answer, and the wording and content of items -- is determined by subjective human beings.

Principle 5: Federal policy-makers should utilize and encourage development of better ways to evaluate students and programs

Multiple indicators should always be used to make high stakes decisions. These indicators should be based on real performance rather than test scores. For example, an assessment of students' "ability to benefit" can be based on whether they are making satisfactory progress toward their degrees rather than on multiple-choice test scores. Likewise, other forms of "assessment" should be educationally valuable and done over time, rather than one-shot, timed events. In addition, assessment tools, structures and processes should be sensitive to cultural, racial, class and gender differences, and should build on students' background characteristics and strengths while supporting growth toward real educational goals.

Principle 6: Where assessment or testing cannot be shown to be educationally helpful, it should not be used

Government should recognize that mandated assessments can have powerful, sometimes unintended, effects on curriculum and instruction. For example, a student who has completed introductory English classes with high grades may be barred from enrolling in upper level courses because she has scored below the cut-off on a multiple-choice exam. If there is any risk of damage from assessment, it is better omitted.

Mr. **Andrews**. Mr. Coleman, do you have anything to add or comment on at this time?

Mr. **Ronald Coleman**. No. I would be happy to take any evidences. I don't think there is any question.

When Congressman Henry testified a moment ago about sending a message, he said that he was worried about the message we were going to send to high school students, I suppose he meant that, in other words, we are not necessarily going to encourage completion of secondary education.

But I have to say that I am more concerned about the message that we are sending when we deny students even the opportunity to receive an education as the result of one test. It kind of reminds me of what they used to do in England. They called it the "elevenses." At 11 years old, you had to take an exam. That was your determination for the rest of your life. Pretty tough. It seems to me that those are the kinds of things that this country would find—this nation would find unacceptable.

I think that these tests—I think, by the way, that Dr. Brown's most recent insertion into the record of the statement from an organization of the National Center for Fair and Open Testing, one of the highlights, without any question, has got to be the fact that one of their statements says that many public 4 year and community colleges were specifically created to be accessible to the very populations which face unfair discrimination from that kind of a test—low income, minority and female students are the ones who suffer the most. They say further by imposing arbitrary requirements, the Federal Government inhibits the ability of these institutions to fulfill the very mission for which they were created. Within reasonable limits, States and institutions should be able to set their own admission requirements. Are we so fearful? Are we so fearful of education and educators and institutions that we have set up in our communities and in our States and nationwide, that we are not willing to trust their judgment? I mean there is a far better way of seeking the obtaining back of funds that were made as parts of Federal loans. I would suggest that this committee can take a big step in that by passing my legislation. I thank the chairman.

Mr. **Andrews**. Thank you very much, Mr. Coleman.

We are next privileged to hear from Dr. David Mertes, who is Chancellor of the California Community Colleges in Sacramento, California.

Welcome.

STATEMENT OF DAVID MERTES, CHANCELLOR, CALIFORNIA COMMUNITY COLLEGES, SACRAMENTO, CALIFORNIA

Mr. **Mertes**. Mr. Andrews, members of the committee, thank you very much for permitting me to be here today. I have prepared testimony that I would ask to be made a part of the record.

Mr. **Andrews**. Without objection, so ordered.

Mr. **Mertes**. I will make my comments very brief relative to that testimony.

First of all, I would like to point out that I am here representing 107 community colleges in California. We currently enroll 1.5 billions students, a number that is projected to go to 2 million by the turn of the century. At the present time, California enrolls approximately 25 percent of all community colleges and students nationally. So this is a very fundamental issue to us.

When the Department of Education put out its December 19th notice implementing the Budget Reconciliation Act of last summer, there were two immediate impacts on the students I represent. First, with that notice to be effective January 1st, it meant that we would have to test within a matter of days 100,000 students. That was absolutely impossible for us to do. Secondly, it raised a major philosophical issue in that it was in conflict—that notice was in conflict with a long-standing philosophy in California that higher education should be open to every resident. We do that by having a tripartheid public education system—a university, a State university and community colleges.

Community colleges, which I represent, are charged with the function of preparing students for a transfer to the 4 year institutions; and we are charged also to prepare students for entry-level work in vocational education or technical education and to perform a growing role of upgrade training for people already employed who want to stay at state of the art. We also have a major program in basic skills to prepare people who need additional work to satisfactorily do all of the kinds of college work that is required.

In California, at the present time, 87 percent of all minority students enrolled in higher education in the State are enrolled in community colleges. So we are the primary point of entry for people from under-represented groups. I am specifically charged in California by the legislature to reach out to populations who represent those people from under-represented groups. I am charged to reach out to high-risk students. That is a very specific charge. To bring them into the community colleges and to work with them, move them into the mainstream programs of transfer and vocational education and ultimately to mainstream into the society and the economy of the State.

The issue that is immediately before us is an issue of default—default on loans. I would subscribe to you, ladies and gentlemen, that I have two approaches to lowering a default rate. One approach that could be used is for Congress to authorize me to only give loans to those people who are not at risk—people who can be checked out and are likely to repay the loan. If I had that authority, the default rate could immediately be lowered in California and lowered substantially. There would be no problem with that at all. At the present time, we give by Federal regulation loans to students coming in as freshmen from backgrounds, whose parents have probably never been in a bank, could not receive a Mastercharge or Visa charge if they asked for one. That is a population that is very real in our colleges.

I do not ask for that kind of an approach. To us, financial aid is a mechanism by which we reach out to at-risk students and attempt to bring them into the mainstream of our economy and our society. We have developed an approach that is different than that which has been proposed—the approach that has been proposed is one of giving a test. On the basis of that test and a single score, determine whether the student should be allowed in.

Our approach is to admit the student, and then work with that student through a whole series of assessment techniques to find the classes in which the student will be successive and will be able to be retained. We refer to this as the matriculation process which is mandated in all 107 of our colleges. We do not oppose testing. We simply believe that there are alternative models that are far superior to that which has been proposed.

The model that is in existence in my State—there are seven key steps to the model. The first is the process of admission, which is primarily a process of collecting as much data as possible about the student. Secondly, an orientation component where every student is required to undergo orientation to college.

The third is assessment, assessment to determine which classes the student can be successful at. It is not an open enrollment process to every class in the curriculum. The student is assessed and placed in classes where the student has a chance of being successful.

The fourth component is the counseling and advisory programs that go along with the admission, the orientation and the assessment activity.

The fifth step is a follow-up process where the student is followed, and intervention techniques are initiated if the student is having problems. There is a research and evaluation component built where the college is required to keep data on the students movement through the matriculation process.

Finally, number seven, a coordination for training component for staff at the college. We believe that this approach of admitting the student and then finding how that student can be successful and working with that student to be successful is a superior approach to that of giving a test to determine whether or not the student should be allowed to enter the institution at all.

H.R. 907, authored by Congressman Miller and a large number of other representatives, has five key points. I would simply comment on those five points. First, it continues the ability to benefit test for those institutions who do not have an alternative approach. If the institution has no other way of determining ability to benefit, then ability to benefit test—as indicated by the Department of Education—is mandated.

Secondly, the H.R. 907 would restore equivalency to grades and counseling options for public and non-profit institutions.

Third, require the Secretary of Education to recognize a State-approved method for determining ability to benefit. In other words, the passage of this bill would permit California to continue with the process of admitting the student first and then determining through a very elaborate process the ability to benefit student an opportunity to be successful.

Fourth, to clarify that the ability to benefit determination is applicable only to those students applying for financial aid.

Five, decouple institutional eligibility from the ability to benefit section only for public and non-profit institutions to assure that these institutions will not lose their Federal educational monies.

I would ask of this committee support for H.R. 907. It has broad-based support in our State and nationally. I think that passage of this bill would send a very important message from Congress to large numbers of people who are coming to us from under-represented backgrounds, that their success in college is what we are striving for—not an attempt to bar them from the opportunity.

Thank you very much, Mr. Andrews.

[The prepared statement of David Mertes follows:]

STATEMENT OF

DAVID MERTES
CHANCELLOR
CALIFORNIA COMMUNITY COLLEGES

before the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR
HON. WILLIAM D. FORD, CHAIRMAN

U.S. HOUSE OF REPRESENTATIVES

June 5, 1991

Chairman Ford, and Members of the Postsecondary Education Subcommittee:

Thank you for inviting me to appear before you today to discuss the very important issue of providing postsecondary educational opportunity for those who have not earned high school diplomas, certificates of General Educational Development, or the equivalent, and on behalf of Representative George Miller's H. R. 907.

I am David Mertes, Chancellor of the California Community Colleges, a system of 107 public two-year, comprehensive colleges supported by the State of California. *I will summarize my remarks today, and ask that the entire statement appear in the record.*

Before I begin, I would like personally to extend my thanks and appreciation to Chairman Ford, Representative Miller, Representative Matthew Martinez and the other Members of both this Subcommittee and the full Committee, for your sensitive and immediate response to our request for help in coping with last year's Budget Reconciliation Act provision pertaining to the required testing of college applicants, and the December 19th notice from the Department of Education which not only threatened to overturn California's historic open door policy, but placed our colleges in jeopardy of severe financial losses.

The timely enactment of Chairman Ford's H.R. 1285, the "Higher Education Technical Amendments of 1991" preserved our ability to keep our colleges open to all who can benefit from the instruction we offer, in accordance with the long-standing policy and tradition of the State of California. Without those amendments, nearly 100,000 new students without high school diplomas would have been potentially barred from admission to our colleges.

While the intent of the Budget Reconciliation Act provision was commendable -- reducing the amount of money in student loan defaults -- we believe we have developed an alternative process that is superior to requiring students to pass a test in order to prove their eligibility to participate in postsecondary education and in financial aid programs. We do not oppose testing *per se*, but believe that tests should be used to assess students' capabilities and achievements, to help them set educational goals, and to recommend placement in classes and programs where they are most likely to succeed.

Our mission in the community colleges includes reaching out to high-risk students -- under-represented minorities, economically disadvantaged, those who are poorly prepared --- and providing opportunities for them to become self-sufficient, productive citizens and contributors to the economic well-being of the State and the nation. We believe the model we have developed in the California Community Colleges, which we call the ***"matriculation system,"*** is a more effective way to help students succeed by providing positive reinforcement and assistance when they need it. Students who establish realistic educational and occupational goals for themselves, and meet those goals, become employable and employed, responsible citizens who pay back the public's investment in their education.

H.R. 907

I am here today to make a special plea for the enactment of H. R. 907 as part of the reauthorized Higher Education Act of 1965, particularly the provisions which allow students' ability to benefit to be determined by an institution through assessment and counseling procedures, "in accordance with such process as the State ... or an agency of such State ... shall prescribe." We believe the Secretary of Education should be required to recognize and accept the fact that a State may develop its own system for determining students' ability to benefit from the instruction offered in its public colleges.

This is consistent with other testimony you have heard, as late as last week from the Department's Inspector General, that "consideration should be given to requiring States to establish and consistently apply adequate standards for determining the quality of institutions they license."[1] While Mr. Thomas was referring to the state licensing of proprietary schools, the principle he enunciated is equally applicable to public systems of higher education, *i.e.*, making the States partners in establishing high-quality educational services and institutions.

H.R. 907 is consistent also with the historic assignment to the States of the responsibility for providing public education for all their residents. To fulfill this responsibility, the State of California has established both a system of elementary and secondary education, and a quadripartite system of higher education which includes the 107 public California Community Colleges, the University of California and the State University system, plus the independent colleges and universities of the State. Each of these "segments" is responsible for developing and maintaining quality educational programs under the Constitution and laws of the State, and in keeping with the State's Master Plan for Higher Education.

In the California Community Colleges, we have expended eight years and more than $400 million to develop and implement our matriculation system. By State law, every student who enrolls in a credit program in the California Community Colleges, whether for transfer purposes, or to earn an Associate Degree or a vocational certificate, must receive services under this system.[2] H.R. 907 will allow us to continue using matriculation services to help increase our students' persistence and improve their performance during their collegiate careers. I will discuss the system in greater detail later in this paper.

The California Community Colleges

To illustrate the size and comprehensive nature of our community college system, let me give you a brief synopsis. Overall, we are governed by the State Legislature and the Governor, through the State Education Code and other statutes. The system is comprised of 107 public two-year colleges, organized into 71 districts, each governed by a locally-elected board of trustees bound by law to hold public meetings. The 16-member State Board of Governors, appointed by the Governor, adopts regulations to implement State statutes, sets policies for all the colleges, and employs a Chancellor with a staff of nearly 250 persons to carry out its instructions. The aggregate budgets of the colleges and the districts in the system total more than $3.0 billion annually.

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[1] Statement of James B. Thomas, Jr., Inspector General, U.S. Department of Education, before the Subcommittee on Postsecondary Education, Committee on Education and Labor, U.S. House of Representatives, Regarding Integrity in Federal Student Financial Aid Programs, May 29, 1991. p. 11.

[2] Institutions may exempt the following students from matriculation services: those who have completed an associate degree or higher; those taking courses not dependent on skills prerequisites; those receiving satisfactory scores on other [voluntarily taken] standardized tests; those taking courses to upgrade occupational skills; those whose educational goal is "personal growth;" those enrolling in fewer than a specified number of units at that institution; and those who previously successfully completed English or math coursework.

The California Community Colleges are an integral part of the State's economic development efforts. In addition to our vocational education[3], academic, and community services functions, the colleges make up a $3.0 billion training institute that provides relevant education, training, and technical services to business, industry, and government agencies. Our "Economic Development Network" (ED>Net) has helped to establish centers for applied competitive technologies, international trade development, and small business development throughout the State. Other programs available through ED>Net include total quality management (TQM) and environmental hazardous materials technology, workplace learning resources, literacy and vocational training.

Our students

The California Community Colleges enroll 1.5 million students -- *one-fourth of the total enrollment in all U. S. community, junior and technical colleges.* About two-thirds are part-time enrollees -- many of them taking courses to upgrade or learn new job skills for California's technological industries. *More than 40% are members of ethnic minority groups,* and a very large number are new immigrants, refugees and others newly settling in this country and in California. Students come from rural, urban, inner-city and suburban settings, more than 100 different languages and cultures, and from the poorest and most degrading socioeconomic circumstances imaginable, as well as from middle-class or wealthy white-collar and blue-collar families.

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[3] The California Community Colleges will receive just under 50% of the $80 million in federal funds projected to be allocated to the State in FY 1992 under the Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990.

The State Department of Finance has projected that we will grow by 440,000 students between now and the year 2005, with most of the growth coming from students who are foreign-born or from minority racial and ethnic backgrounds. Many will be the first in their families to undertake postsecondary education; many will have limited English language skills; many will come typically from low income economic circumstances and be under-prepared either for college or for employment.

To meet the challenge of that enormous demand, we will need to use the existing and planned capacities of every one of our present campuses, and build up to 12 complete new colleges, each holding about 12,000 to 14,000 students. Our system will need to hire as many as 18,000 new faculty and staff members as replacements for those who are scheduled to retire, and to meet the requirements of growth. As you might surmise, this is a difficult problem for us, particularly because our system is already bulging with 88,000 more students than the State provides financial support for. These "unfunded FTEs" already have stretched the financial capabilities of 60 of our 71 districts to their limits.

Under the federal program of State Legalization Impact Assistance Grants (SLIAG) we have also provided opportunities for more than 150,000 new Californians -- amnesty students who were illegal aliens prior to the 1986 Immigration Control and Reform Act -- to meet the English language and American government knowledge requirements for becoming productive, permanent residents of the State and the nation. More than 1.7 million new Californians are eligible to participate in education programs of the State, and a very large number have chosen the community colleges for English language training and vocational education opportunities.

Nearly 200,000 of our students receive some form of financial assistance -- from federal, State or local sources. Federal Title IV aid to California Community College students last year totalled approximately $164 million, most of it in Pell grants. Only 1.3 percent of our students, less than 18,000, borrow money through federal guaranteed loan programs. Ten years ago, when loans became widely available to our students for the first time, and large numbers of them began to incur debt, we began to counsel them away from borrowing to fund their education. We reduced the number of students receiving loans from more than 38,000 in 1981-82 to 28,000 in 1985-86, to fewer than 18,000 today. Unfortunately, the resulting unmet financial need of our students has increased because we do not have alternative funds to substitute for loans, and Pell Grant funds have been inadequate to meet our students' needs, partly because of the present 60% of need limitation on individual grants, and partly because appropriations for the Pell program have not kept up with either inflation or demand.

"Ability-to-Benefit" Students

Let me turn now to one particular category of the students we enroll -- those without high school diplomas, General Educational Development (GED) certificates, or the equivalent -- so-called "ability-to-benefit" students. Because we are required by State law to admit all students 18 years of age or older who can benefit from the instruction, and because the California Community Colleges were created as "open-door" institutions, we have difficulty identifying students without high school diplomas. In 1987, we surveyed the colleges, and were able to estimate that approximately 4.7% (12,925) of the 275,000 full-time students and 5.8% (73,370) of the 1,265,000 part-time students who enroll in credit courses come to us without high school diplomas, G.E.D. certificates, or similar credentials. We have further estimated that approximately one-third of the full-time students without diplomas are likely eligible for financial aid.

Our Matriculation System

To meet the extraordinary diversity of our population, the colleges and my office began work eight years ago on ***ways to help students succeed.*** Rather than blame the student, the college, "the system," "society," or other external factors for drop-outs, failures, and "turn-aways," we worked toward devising a positive, multi-faceted system to assess students' skills, recommend course levels for them, monitor their progress, and intervene when necessary to provide appropriate assistance. The resulting ***"matriculation system"*** has taken us eight years and more than $400 million to develop and implement.

The function of the matriculation system is to help students succeed - to help them establish realistic educational goals based on their achievements and skills when they come to us, and to give them the assistance they need in attaining their goals. We believe that such students are more likely to graduate, to find jobs, and to repay their debts. Since our services focus on individual student persistence and success, we further believe that the matriculation system will contribute to a very significant lowering of California Community Colleges' student loan defaults in the future, as well as to the more effective use of all student financial assistance.

While it is too early to accurately measure the program's overall success, a preliminary study, based on the research of an independent consultant and my office in 1990, indicates:

- Matriculation services appear to improve the academic performance of students, especially those who entered college with low skill levels and those who come from disadvantaged backgrounds. For example, ***students with less than 13th grade level skills who received services of two or more matriculation components earned a cumulative grade point average (GPA) of 2.07 in their freshman year, vs. those who did not receive such services, who earned an average GPA of 1.33.***

- Matriculation services appear to improve the persistence of students. ***Eighty-seven percent*** of those who received full matriculation services persisted from Fall 1989 into Spring 1990, *vs.* only 70% of those who received assistance only in the admission process.

- Colleges have had to significantly increase their course offerings in basic skills courses, and have hired more than 200 additional part-time and full-time counselors.

- Matriculation neither impedes access nor excludes students from educational programs or services of the colleges. It ***has*** brought to light the extensive need for basic skills development among incoming community college students, ***including high school graduates as well as non-graduates.***

The matriculation process consists of seven components. Five of these provide direct services to students, and two assist the colleges in developing their capabilities for evaluation, compliance, coordination and analysis in a continuing effort to improve the system. The components are:

- *Admission to the college*, including application procedures, initial collection of information about the student's need for support services, referrals to college services and resources, and assistance in registration;

- *Orientation to the college*, including an explanation of academic and vocational programs, expected student and staff conduct, locations of facilities and services, transfer and career opportunities; a description of student rights and grievance procedures, explanations of their obligations to the institution, and their responsibilities; orientation may be given in large groups, one-to-one contact by a counselor or instructor, extended orientation courses, even video presentations.

- *Assessment*, accomplished through a wide variety of methods to provide students with information that helps them better understand their aptitudes, career plans and interests, study skills, English-language proficiency, abilities in various subjects and past academic performance. Widely diverse measures are used, such as placement test scores, number of hours worked, number of semesters out of school, high school grade point average, transfer grade point average, type of English and mathematics courses successfully completed. To be sure that we provide students with the best possible assessment, I have appointed a special task force, headed by Dr. John Poggio of the University of Kansas Center for Educational Testing and Evaluation, to evaluate the 42 different assessment instruments (tests) in use in the California Community Colleges. That report will be coming to me and to the Board of Governors at our next meeting in July.

- *Counseling and advising:* This component of matriculation provides contact between the student and professional staff (counselors, advisors and/or instructors) to interpret and apply assessment findings; to help formulate each student's education plan; to discuss students' educational or personal concerns; and to monitor and guide the student toward his/her goals. This service is available to all students throughout their community college careers.

- *Follow-up:* Each student's academic progress is systematically monitored, and when necessary, appropriate intervention strategies are applied. Colleges have many ways to monitor students; increasing numbers are using computer databases for this purpose. Instructors and counselors also contribute heavily to the follow-up effort through their individual contacts with students. On some campuses, "early alert" systems have been established to identify students who are beginning to experience difficulties in their courses *before they encounter serious academic problems*. Some special programs that serve disadvantaged, disabled and other high-risk students have traditionally had follow-up procedures; the matriculation system has extended such services to all students enrolled in credit programs.

- *Research and evaluation:* Colleges have used and in some cases expanded their data-collection and analysis capabilities to measure the effectiveness of their efforts to positively affect students' academic progress. These capabilities help the colleges evaluate services and identify areas in which improvement is needed and/or where a change in allocation of institutional resources may be needed.

- *Coordination and training:* A broad range of college staff and students are involved in designing, implementing and evaluating matriculation services. Each college has a designated staff person responsible for working with an advisory committee and others in coordinating the matriculation process, and for developing effective training for others.

CONCLUSION

In conclusion, Mr. Chairman and Members, I would like to emphasize that one of the most important roles of the nation's public community colleges is to reach out to at-risk students, and help them become full partners in America's increasingly complex society, as well as productive members of the nation's workforce.

We believe we have developed in the California Community Colleges a process which will accomplish these vital goals, and that our matriculation system, in addition, can also contribute much toward reducing the huge burden of student loan defaults. But most important, we believe that our matriculation system represents an investment in human resources and potential that will be repaid many times over as we help students succeed, through education, in becoming individuals with dignity and standing as self-supporting contributors to the economic well-being of their communities, the State and the nation.

We need your help, through enactment of H.R. 907 as part of the reauthorized Higher Education Act of 1965, to continue using our matriculation system in the way we believe it will be most effective in giving our students and the American taxpayers their money's worth in our colleges.

Thank you for this opportunity to express the views of the California Community Colleges. I will be happy to answer any questions.

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Mr. **Andrews**. Thank you very, very much, Doctor.

We will first go to Mr. Reed.

Mr. **Reed**. Dr. Mertes, I think listening to Representative Henry's testimony, to distill what he said, essentially, was that probably the best assessment of someone going on and successfully completing college would be completing high school or a GED equivalency. This seems to me sort of a simple-minded model that we have had for many, many years about education here in the United States.

Do you think there is something wrong with that logic or shouldn't we insist that the high schools start preparing people adequately and people should avail themselves of high school before they go to college?

Mr. **Mertes**. I would certainly like to have every student who comes to a community college in California have moved very successfully through high school. That would be a goal. We would decrease our basic skills programs dramatically if that were the case. In reality, that is simply not the case at the present time. We are dealing with very large populations who are coming to us, both native to California and immigrants into the State, who do not have the high school diploma or its equivalency. Our approach with that population, as I have outlined, admit the student and try to place the student into classes where that student can be successful, not to use a single test and a single test score and tell the student you are denied entrance.

Mr. **Reed**. But isn't an alternate approach to require those students to either enter into—if they are within the age category—enter into high school or to go to a GED preparation program. Essentially to have the State, which is responsible for education up through the secondary level, shoulder the burden of preparing them to go on to higher education. I think what you are proposing, what your State is saying is that you will accept people without high school educations or equivalency degrees into a college environment, and then try to provide that preparation and training there, and by the way, using Federal dollars to do that.

Why shouldn't the State essentially have that responsibility for preparing them for college?

Mr. **Mertes**. Well, the approach that you described is one approach that has been pointed out. We believe the approach that we have is the superior approach. It is going to move people more quickly into meaningful employment, into transfer programs and make them productive citizens. I think that the end goal is to try to help people become productive citizens and productive members of the economy. We think that the approach that we use is the most cost effective approach to do that—that to simply deny large numbers of students which would occur with the model that you are proposing would simply put them into some other category for expenditure of State or Federal funds.

Mr. **Reed**. A final question. Do you have statistics tracking the performance of students who are coming in without high school or equivalency degrees vis-a-vis other students coming into the community college system with those degrees?

Mr. **Mertes**. Yes. We are developing a statewide model to do just that. We do not have statewide data at the present time. But in interaction with three local districts, one of the districts in which I was chancellor prior to becoming State chancellor, there was no difference between the student coming in who lacked the high school equivalency, and the student who had the high school equivalency or the high school grade. That is not a statement for the entire State. It is a statement for three districts in the State.

Mr. Reed. Dr. Brown, a question: To what extent is the language barrier the critical issue that you face in your community with respect to the issue of the special ability-to-benefit test?

Mr. Brown. It is an extremely critical issue, simply because being on the border as we are, a large number of our students coming to the community college, particularly the ability to benefit students do not have and have not had the advantage of an extensive formal secondary education. Most of them have come from Mexico, either in recent years—a lot of them since the 1986 Immigration Act, but also people who have lived there for 10, 15, 20 years. Being in a bilingual community, however, they have not had the necessity to become bilingual. Many of them have taken that opportunity to do so, but they can do all of the things that they need in Spanish—going to the store, going to do different things, get their car fixed. They don't need to learn English for those purposes. Television stations, radio stations; we have Spanish language stations and so forth.

Now they have made that decision to do so, and the community college in El Paso as well as a number of community colleges give them or provided that opportunity. Unfortunately, as we saw this last January, over 200 of the students were denied that opportunity because of the testing.

Could I respond to one of the questions that you asked Dr. Mertes?

Mr. Reed. Yes. Please do.

Mr. Brown. Regarding—and I heard Representative Henry's testimony on the GED this morning. One of the things to remember about the GED is that, in fact, it is a test. All of the concerns that we have raised this morning, that I have raised, and that Congressman Coleman has raised as well as Dr. Mertes, apply to the GED also in terms of being able to prepare students to take a test; and hopefully, even passing that test. But there is no guarantee that passing and getting a GED is, in fact, going to assure success in postsecondary education. What we prefer to do, as does California, is identify the student's strengths and weaknesses, work on their weaknesses through that allowable 30 credit hours of remediation. Or if it is ESL, provide them with reading, writing, speaking and listening, then we can insure that they have the skills to be successful. A test isn't going to do it.

Mr. Reed. One of the other points, I think, Mr. Henry made is that this is not only an intellectual process in terms of getting a high school diploma or perhaps even getting a GED, but it also suggests discipline, self-discipline, dedication, et cetera. Would you like to comment on that?

Mr. Brown. Yes. In my written testimony which, of course, I only presented a portion of, I suggest on several instances, that there is no student like a community college student who shows perseverance, commitment and dedication to learning. The average

age of the community college varies, but it typically is in the higher 20s, 28, 29. They have a family. It is like after World War II, and even during the 60s, when large numbers of veterans took advantage of the GI bill, you saw no more dedicated student than a person who was a former GI who was on the GI bill, simply because they had made the commitment. They were there by choice. Typically, they were more stable in terms of having a family and knowing what they wanted, what their objectives were and going after them.

Mr. **REED**. Thank you very much.

Thank you, Mr. Chairman.

Mr. **ANDREWS**. Thank you, Mr. Reed.

Mr. Coleman.

Mr. **THOMAS COLEMAN**. Mr. Chairman, I had to be out of the room, and I am trying to catch up here.

I am trying to understand, Dr. Mertes, what the matriculation measurement device that you are proposing does. It looks like it is a lot of individual help for students. Students who enter your institutions are provided extra opportunities for personal development. In effect, you are pulling them along.

Mr. **MERTES**. In summary, it is an attempt to take each individual student and by a number of approaches, assessment tests; in some of the colleges, there are written exams that are given; the high school background; the background that the person brings; and to have that student placed in class levels where the student can be successful, particularly in English and in mathematics, which are the key indicators for success.

Mr. **THOMAS COLEMAN**. So there is a utilization of an examination format in some fashion?

Mr. **MERTES**. Yes. We do not standardize it, however.

Mr. **THOMAS COLEMAN**. But I hear a lot of concern about tests as a hurdle that must be overcome. Yet you incorporate this feature in your matriculation concept.

Mr. **MERTES**. Yes.

Mr. **THOMAS COLEMAN**. So I don't know how we would objectively measure people's abilities in our society without taking tests of some sort. We are going to take tests throughout our lives. I don't want to disparage anybody's efforts here, but we have to recognize that there has got to be some measurement device. Call it an oral test. Call it a written test, whatever, in whatever language. It is still a test. That is part of our problem as we address this issue. What kind of test, who administers them, and what the results should be.

I know that we have tried to reform the ability-to-benefit concept through the years, because it was abused by some. As a result, perhaps we haven't been 100 percent correct without reforms, but nevertheless, we have tried to tighten down this aspect.

I would note, though, that under the administration's proposal, where they have actually dropped out the lowest 10 percent of the academic level, that it would actually be better not to receive your high school degree under their proposal, and then qualify for Pell and other awards, and go through either ability-to-benefit or GED. It is kind of a convoluted policy if you stop to think about it. But I think that is, in essence, what they have done for budgetary reasons.

Be that as it may, I will examine your testimony very closely, both of you, and see if there is something here that we can incorporate. But one of the great—and I know Mr. Henry has very strong thoughts about this as well. One of the great concerns we have is about people who don't have the ability to utilize the services some schools provide. We are really sensitive of that.

Mr. MERTES. Mr. Coleman, if I could clarify? If the two approaches can be contrasted, both use a test. In one approach, the student comes to the college and does not have the high school diploma or its equivalent and is told to go someplace and take a test. If you pass that test, come back. Or go someplace else and get a degree and come back.

The model that we use is a model that admits the student and then uses a number of tests, not a single one. The approach is that we are not trying to keep you out. We are trying to make you successful. During the course of your time with us, you must make satisfactory progress. We will be monitoring your progress. If you do not test for English 1A, we don't allow you to take English 1A. If you can only be successful at a level of whatever English it is, that is the level at which you have to demonstrate ability. It is our approach to bring the person into the system and try to make them successful.

Mr. THOMAS COLEMAN. And in doing so, you would utilize all of the higher education programs during that period of assessment.

Mr. MERTES. Yes.

Mr. THOMAS COLEMAN. So that we would continue to see some people who wouldn't be able to make it under your system, but they would be utilizing these programs and resources in an attempt. I guess that is a part of our problems. I know you have an open admissions policy there at the community college level.

Mr. MERTES. Right.

Mr. THOMAS COLEMAN. Which you have to deal with. I guess it gets to one point where, whether or not—what kind of open enrollment? If we are taking students in, who, by any other standard, would not be able to benefit or utilize the services, then we get into this really gray area. It may be fine for the community college in California, but what about a for-profit school over here. It is hard to make that judgment. I am not just picking on the for-profits, but those are where we have had some of our problems.

Mr. MERTES. Right.

Mr. THOMAS COLEMAN. Thank you.

Mr. ANDREWS. Thank you, Mr. Coleman.

Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman. I was listening very intently with the questioning by my colleague. I find myself a little bit at a query as to the difference between your bill, Colleague Coleman, and the bill that is proposed by—yours is H.R. 553 and H.R. 907.

Your bill, I think, calls for complete repeal.

Mr. RONALD COLEMAN. That's right.

Mr. HAYES. Of the changes as it relates to the community colleges when it comes to aid.

And your 907 calls for revision of reform. Is that right?

Mr. **Mertes**. That is correct.

Mr. **Hayes**. And you suggest certain methods of reformation that you think would correct what you disagree with in Congressman Henry's bill. Is that right?

Mr. **Mertes**. Yes. It would give an alternative approach to public tax-supported institutions who have an alternative assessment mechanism to determine ability to benefit.

Mr. **Hayes**. I share the opinions as expressed by the three of you. I think the bill that is being proposed by Congressman Henry would actually deny access to higher education to many of our disadvantaged students economically.

I happen to come from an area in Chicago where the community colleges are so important for the opportunity for education for the economically-disadvantaged students, particularly minority students. Certainly, we need a greater opportunity, not less, to education.

So I just wondered, and I raised this specific question because it has come up before in other hearings. Some of these students talk about the tremendous—terrific debt that we have as a result of the default ratio on student loans. I wonder if you share the opinion that has been expressed by others, which I agree with—that we should make this aid grants—instead of loans, and further, Pell Grants should be an entitlement. I think that within itself would enhance the opportunity for many kids who are now being denied an opportunity because of default ratio on loans. I just want to know what your reaction would be to entitlement rather than loans. We get less money now for grants than there was when the program was first established. I think it is the other way around with the guaranteed student loan program was expanded, and the Pell Grant was decreased. So I would like to see them become an entitlement. I would like to know what you think about them.

Mr. **Mertes**. I support your view, Mr. Hayes. I think that, personally, it is unconscionable to bring a student in from a background where no one in that family has ever been in higher education and bring that student in and saddle the student with a loan when the student doesn't understand what the student is getting into either in terms of education or the fiscal responsibility. In my view, that is simply an unconscionable act for higher education to take.

Mr. **Brown**. I certainly would concur with Dr. Mertes, particularly with our English as a Second Language population. The entitlement—you have to understand. If you have been to El Paso, you have to realize that we are talking about third world conditions. You can't distinguish the difference between where the border ends in Mexico and where the borders starts here in the United States.

We are talking about individuals, families and people who truly do live in and are economically strapped. The entitlement that they are provided is tremendous. They appreciate it a great deal. If you could see their faces; if you could see the smiles that they have, particularly when they walk across the stage with that degree or that certificate. You would understand that these are individuals who are not only deserving, but desperately need that financial support.

Mr. Hayes, I, too, would concur that the entitlement and increasing the entitlement would be preferable to having these people receive loans.

Mr. **Ronald Coleman**. Charlie, I was going to say you and I ought to stop meeting like this. We have many of the same problems in our districts. The last time we did this, you may recall, we talked about the high number of Hispanics in our respective communities. I understand, I think, some of your problems and I know you understand some of mine. I would say there is another difference also, though, between George Miller's bill and mine. His, as you know, would not apply to the trade schools, the for-profit schools. Mine would.

Again, because as I said at the outset of my statement, I am convinced that our prohibition, our borrowing those students that try to achieve some modicum of capability, some success in a trade or an ability to type or whatever it may be, I think is a travesty. What direction is this country headed? I mean is it, in fact, one in which you said you didn't, for some reason,—maybe you had hepatitis A, and you lived in a colonia, as we call it in El Paso County, and you didn't get to graduate from school. You are one of the 100 percent that went to Secorral, who got hepatitis A because you don't have proper sewage treatment facilities and you don't have running water through your home. Therefore, you are a failure, you are finished.

I certainly agree with the Miller bill as it applies, as mine does, to the community colleges and 4 year postsecondary education schools. But I got to tell you that when it comes to providing at least some ability to learn a skill or a trade for anyone in this country, we ought to be doing everything we possibly can to insure that that occurs and not prohibiting it. So there is a difference as well in my bill and George Miller's bill and the fact that mine would repeal the whole thing.

I mean I think a lot of times it is good to sweep away the whole thing and let's start over. The suggestion was made, and I thought it was a good one concerning how we would recap or reacquire our funds that were loans from those students who fail to pay back those loans. I am consistently amazed over and over why it is that General Thornburg and previous attorney generals have not seen fit to empower United States attorneys to do just what they ought to do with respect to getting back those loans. I mean is it that we can't find them? What is the reason? I don't understand. I would like to ask that question of the attorney general, because I don't understand why it is that my United States attorney could not have the ability to seek out and find those who owe money and set up a system by which the United States could be repaid. This isn't the way to do it. To prohibit education? That is not what this country should be about.

Mr. **Hayes**. I might suggest as a sideline you better hurry up and catch up with the attorney general, because I understand he is going back to Pennsylvania.

Thank you, Mr. Chairman.

Mr. **Andrews**. Thank you, Mr. Hayes.

Mr. Roemer.

Mr. **Roemer**. As a product of the University of California school system, as well as the University of Notre Dame—I would like to hone in a little bit more on what was the original mission of community colleges when they were first started?

Mr. **Mertes**. I can respond for California, because some of the States might have a different approach. The master plan in California, developed in the 1960s, is very clear that the system of higher education in California will be tripartheid. The public sector would be tripartheid—the university, State university, community colleges.

The university would draw from the top 12 percent of a high school graduating class. The California State university would draw from the top third, and everyone was eligible to enter community colleges. There were no admission standards and no tuition by law at that time.

As California moved and grew, and became far, far more diverse, that master plan was reexamined in the late 1980s; and was reaffirmed. It was reaffirmed with one no vote in both houses of the California legislature. That one no vote was a supporter; he opposed some technical components.

With the increasing diversity that is in the State, California is rapidly becoming a minority/majority State. Many of our colleges are above majority in their ethnic make-up. We have an increasing diversity with immigrant populations. Currently, we have about 1.5 million people eligible to move through amnesty programs. We have dealt with 150,000 students in amnesty programs who are moving in, particularly to our voc-ed.

We are charged in that master plan with three specific responsibilities. Prepare students as freshmen and sophomores for transfer into UC and CSU. Both of those institutions by definition are elitists. They can only draw from the top percentages of the graduating class.

We are also charged to prepare students for entry-level employment in the workforce. A growing responsibility is to upgrade people already employed. People who are in sophisticated jobs need more data processing, more electronics, more technical writing to stay abreast of their skills and be productive in the workforce.

The third component of our responsibility is to reach out to the large number of under-represented people in the State and bring them into higher education, and move them into either transfer or vocational education. It is the belief of the State that California's workforce through the turn of the century is going to be made up of people currently from the under-represented populations. This is the population that will enter the workforce, primarily Hispanic, primarily Southeast Asians.

In our State, this responsibility to reach out and recruit people and bring them is a direct charge. When I am before the California legislature in any of its committees, I am questioned constantly on how effectively are we doing that, how can we improve. So in order to do that, we have developed obviously a large program of basic skills, bringing people in and moving them into classes where they can be successful, moving as quickly as we can into the transfer in regular vocational education programs.

Mr. Brown. In the State of Texas, the community colleges are permitted to—because they have local governing boards, establish their own mission statements. In that mission statement, the schools, in our particular case at El Paso, have determined that we are an open-door institution, and that we will serve all residents of El Paso. Many community colleges have the same mission statement as do many community colleges in the country.

In doing that, because our local governing board is wanting to make sure that we are able to educate all of the citizens and whatever their needs may be, we bring the student in. I would like to, if Mr. Coleman would allow me and Mr. Roemer, we do test the students. But we test them on what are called criterion referenced tests, which are prescriptive tests to determine where the student needs to be in their coursework, their basic skill studies as Dr. Mertes was suggesting. It is at that point that, once we place them appropriately, that we are able to deal with them in their educational needs, whatever they may be, to take them to the point where they can pursue actively the college-level coursework. We can do that in a relatively short period of time.

But the mission statement and the objective of the community colleges is not all that different across the country. I can give you an example in El Paso, the University of Texas at El Paso, which is a part of the UT system. It has an entrance requirement. Many of the students that we serve now—there are over 17,000 students—would not have gone to the University of Texas at El Paso. Had El Paso Community College not been there, they would not have had the opportunity to pursue either a job skills training or possibly transfer education.

Mr. Roemer. My concern is that I always thought that it was a little bit more limited than Dr. Mertes indicated I thought the purpose was to train people for occupational and technical skills, and prepare them for college. You also said in your opening statement that you are not opposed to alternative testing models.

Mr. Brown. Right.

Mr. Roemer. What types of alternative models can we utilize so that we have a better assessment of what students needs before they get to the community college level? You both mentioned in your testimony the need to improve some kind of assessment K through 12. Could you address that specifically?

Mr. Brown. I did include that in my testimony. The comment that I made was in response to Chester Finn, who was a former assistance secretary of education, who had an article in the New York Times just a couple of weeks ago. He, along with President Bush's administration, is pushing very hard to have a national test, determining whether or not a student has met even minimum requirements for secondary schools graduating from high school. Of course, the testing issue in that case is no different than the testing issue that we are talking about here today or pre-college for students that are hoping to go into college. There is no question that we talked earlier this morning about the fact that, if the student can pass the GED, I have already indicated there is no guarantee that they are going to be successful in college. But there is no guarantee that a student with a high school diploma is going to be successful in college.

Mr. Coleman, a few minutes ago, commented that—about the percentage of the numbers of ATV students that might not be successful, that even the ones that passed the test at the criteria established by the Department of Ed. In fact, there is always going to be a certain percentage that will not be successful for a hundred different reasons. But the same holds true for the high school graduate as it does with the GED student. They won't be successful. Some of them won't be successful, not necessarily because they are not educationally prepared for it.

So we do need to work on K through 12. We need to improve. The State of Texas has a test. It is not the perfect test. I am not sure that a lot of people agree that the test is the right thing to do, but there are efforts across the Nation to ensure that students have a truly high school diploma, and that means they can read; they can write; and they can compute; plus they know their geography and their social studies at a level where they can carry on not only a good conversation, but they can understand what is going on in this country, what is going on in the world. When they get to college, they are going to find that the success rates are going to be high.

Let me follow-up with one quick thing. What do we need in the schools? The public schools? We need increased training for teachers. We need teachers to be looked at as on the same level that we look at other professionals. We need them to be respected. We need them to receive and have the instructional materials and the technology in the classrooms that they need. I can tell you in El Paso and in the State of Texas where they are fighting right now with equity and educational funding, and have been for over 2 years: It is not an easy problem that can be solved. But without that—and I have two children in the public schools in El Paso, Texas. You can be assured that they have had less than the same education that students have had in other communities throughout this country simply because there is not provided, not only in the State of Texas but in other States, the same comparable education and the same comparable preparation. We need to have—and money is not the only answer, but it certainly is the beginning.

Mr. **ANDREWS**. Thank you.

Thank you, Mr. Roemer.

Mr. Sawyer.

Mr. **SAWYER**. Mr. Chairman, there are a lot of us around here who are still trying to figure out what is going on in this country and going on in this world, so I wouldn't hold that against students.

We seem so enamored of testing. We seem so taken with what it can do for us. It can tell us where we have been, where we are going, where we ought to have been, cure the common cold. It does so much. We are placing such a burden on these instruments.

It seems to me, gentlemen, that you are talking about two fundamentally different kinds of instruments. Some would fit into what we normally would think of as testing and others simply don't, but they are those which are predictive on the one hand and those which are diagnostic on the other. You clearly seem to come down on the side of diagnosis, diagnosis not so much for purposes of admission but for remediation and targeting education.

It seems to me that at some level, there is probably an overlap between—I don't even want to use the word instruments, because you are talking about techniques. But that there are techniques that are both potentially useful in remediation and at the same time predictive of likelihoods of success.

Can you talk about where that overlap might fall? Let me just give you a specific question. Are there instruments that are being used in sound remedial, diagnostic purposes that are themselves, when performance falls below a certain level, sound predictors of likelihood of success?

Mr. **Brown**. As I indicated in my testimony, there are tests that are being used in that respect. For example, the asset test is a test of reading, writing and mathematics, which is becoming much more prominent throughout the country in higher education, particularly in community colleges. Our institution has used that test for 2 years; although we do not use it in a predictive manner—simply as a diagnostic manner, but there are also other tests, such as the traditional Nelson Denning test, which is a reading test. But again, the problem is that—and as I indicated in the testimony, there is not a test company that I know of nor that the National Center for Open and Fair Testing knows of, that will come before you, I believe, and say yes, use our test to predict success. There are a lot of test companies who will rightfully come before you, and say yes, use our test in a diagnostic manner to prescribe remediation for the student.

I would be surprised if somebody came before you and would guarantee you that their test would do that. As far as the overlap goes, certainly there is some overlap, but the problem is that you are still testing typically basic skills—reading, writing and computation. We don't absolutely know, particularly with an adult population what point at which, if they have this much proficiency in reading and writing, we can guarantee success or not guarantee success. It is a really gray area.

Mr. **Sawyer**. I am not sure that anyone here in any case is talking about guaranteeing success, but rather having a greater or less statistical likelihood of encountering success.

Mr. **Brown**. In my testimony, I also indicated that—and in the research that we have done, and we have done extensive research in the last couple of years, I have not come across andy studies that have provided the data or any sufficient data that would link the particular test results, and again, the likelihood of success. I don't know if it is actually—if it going on. They are doing that kind of study or not, but it is kind of a risky thing to make that kind of a claim.

You are right about guarantee, but where do you stop in terms of does it have to be an absolute line?

I think what Dr. Mertes and myself and Mr. Coleman is saying is that we in community colleges for 30 and 40 years now, know when a student can be successful from our experiences. It is not just a test score.

Mr. **Sawyer**. That is the reason that I am talking about techniques. That is the reason why I don't want to use words like instruments. Dr. Mertes, across that huge system that you are responsible for, do you track the methods that tend to be more or less predictive as well as diagnostic?

Mr. **Mertes**. We are in the process, Mr. Sawyer, of doing that. The approach that we took with—as we developed the matriculation model, was to keep it highly decentralized. We believe that there is not a single test. In fact, in California, there is California law that says a college cannot use a single test for placement purposes. So what we encourage the colleges to do is essentially to try a number of different options and keep data and evaluate and we would share the various models in the State that seem to be working better than others.

Mr. **Sawyer**. Let me just say model may be exactly the word I am searching for. I don't want to use test. I don't want to say instrument. But just let me say model. If you are tracking those, do you have data, however germinal it may be at this point, that would be useful to us in trying to understand where we are going with this?

Mr. **Mertes**. Yes. I can make such data available. The City College of Santa Barbara has a very extensive tracking system. They have been putting out reports to the other colleges in the State. I would gladly share some of those reports with you, or all of them for that matter. San Lequin Delta College in Stockton is doing exactly—they are doing a different model, but their results are coming out.

There seems to be a commonality in the bottom line. The commonality is that the student tends to be successful when there is a high degree of personal interaction. The instruments are not nearly as important. The techniques—it is the interaction telling the student you can be successful, and I want to help you be successful. All of the models that we have that are showing the most striking results are mentor-based models in which there is a high degree of human interaction. It is a costly way to go when you are dealing with 1.5 million.

Mr. **Sawyer**. Not as costly as $2.5 billion in defaults.

Gentlemen, just let me say, and Mr. Chairman, thank you for your testimony this morning. It has been very helpful. A very special thanks to Ron Coleman for your efforts in this measure.

Mr. **Ronald Coleman**. Thank you.

Mr. **Andrews**. Thank you, Mr. Sawyer. Mr. Kildee.

Mr. **Kildee**. Mr. Chairman, thank you. Inasmuch as I have been involved in three meetings this morning, I will refrain from questions at this time. Thank you very much.

Mr. **Andrews**. Very well. I would like to thank the panel again.

Mr. **Thomas Coleman**. Mr. Chairman, for the stenographer, record where appropriate so that the gentleman from Texas, Mr.Coleman, appears on the record as the gentleman from Texas.

Mr. **Ronald Coleman**. If I could just add one thing. There is also another piece of legislation. Mr. Coleman raised the one issue about the funds and where we go. I think the difference between the Miller bill and mine is also important in terms of whether or not we can actually go to complete repeal.

I would just say that there is another piece of legislation by Congressman Gordon, I believe, that I have co-authored all before this committee. I don't know if you have held hearings yet. We would only say that that seems to me to be the approach we ought to be taking in tightening up the accreditation standards particularly for those for-profit institutions. I would hope that this committee gives serious consideration to 553. Thank you very much.

Mr. **Andrews**. Thank you. We would like to thank the panel very, very much.

Our final panel for this morning includes the Reverend Edward A. Malloy, President of the University of Notre Dame; Mr. David H. Barton, President of the Commonwealth Educational Systems, Inc.; and Mr. Barry Busata, Vice-President of the Diesel Driving Academy, Inc.

I would think that one of the more remarkable products of the University of Notre Dame, our colleague, Mr. Roemer from Indiana might want to take the honor of introducing the president of that great institution.

Mr. **Roemer**. Thank you, Mr. Chairman. I appreciate your gracious introduction. As a graduate of the University of Notre Dame, it gives me great pleasure to welcome back to Washington, DC, a native of Washington, DC, Father Malloy. He is someone who has a triple domer, affectionately referred to as somebody who has three degrees from the university and his Ph.D. from Vanderbilt. He follows in some very prodigious footsteps following Father Theodore Hessberg as President of the University of Notre Dame. As I am here following in John Brademas' footsteps, I know the feeling well, Father Malloy.

I want to commend you for being willing to put some new footsteps in the sand and lead the university in a host of new ways. Those include improving the graduate studies, building new facilities on campus, having all kinds of new innovative volunteer service programs that benefit the community and the country with Notre Dame students.

I am just honored to have you here this morning. I look forward to hearing your insights on the Pell Grant Program in particular and also on higher education in the United States. We welcome you.

STATEMENT OF EDWARD A. MALLOY, CSC, PRESIDENT, UNIVERSITY OF NOTRE DAME, NOTRE DAME, INDIANA

Father **Malloy**. Thank you, very much, Tim, or Congressman Roemer, and members of the committee.

I appreciate this opportunity to testify at the subcommittee's hearing of the Reauthorization of the Higher Education Act. Consistent with the intent of today's agenda, I will concentrate my remarks on the Pell Grant, one of the Federal student assistant programs authorized in Title IV of the Act. My testimony will address three aspects of the program: simplicity, integrity and award amounts.

The need for more simplicity in the administration of all Federal student aid is perhaps no more apparent than the Pell Grant. This need is reflected in the application process in the methodology involved in determining eligibility as well as in the actual delivery of funds.

Just below the surface of the question of simplicity in the application process is the long-standing debate between two understandably valid positions—those who argue for keeping this entry point into the world of financial aid as uncomplicated as possible so as not to serve as a burden or even worse a discouragement to those who seek help in the pursuit of higher education versus those who counter that the circumstances of many families require a more comprehensive approach to determining financial ability. Our recommendation is to authorize a special by-pass process for restricted applicants, such as those who file simply Federal tax returns; that is, 1040As or 1040EZs; or those whose circumstances do not require their filing any tax forms. For example, families receiving public assistance.

The Federal application should be designed to address the circumstances of the vast majority of families. It should eliminate questions that attempt to address relatively minor exceptions, such as displaced homemakers or dislocated workers and permit the campus financial aid administrator the restricted authority to deal individually with these cases. One aspect of the current application process, which has created much confusion for many families is the section that attempts to define the so-called independent student.

Congress must once and for all settle on a definition which is simple to understand, easy to administer and perhaps more importantly, makes common sense with respect to the traditional principal that parents are primarily responsible for the education of their children to the extent they are capable.

The issue of the simplicity of the methodology is also worth of attention. Congress should authorize one formula for measuring family ability to pay, and should employ current and realistic economic factors in developing this formula. If the end result is an eligibility index, which produces a need too great for Federal funding of a particular program, such as the Pell Grant, the basic economic assumptions should not be artificially revised in order to produce an index that accommodates the funding restraints; nor should these underlying assumptions be revised in order to extend this index to self-help programs, such as work and loans.

If factors, such as restricted funding, or an intent to assist hard-pressed middle-income families require that either a rationing or an expansion factor be employed to achieve the desired results, then appropriate adjustments should be made to the eligibility index, not to the basic formula. By adhering in all cases to this one basic and realistic need formula, we will have removed a great part of the confusion currently experienced by families trying to understand financial aid.

Again, part of the solution to this problem certainly must involve the present attempts in the so-called Congressional methodology to deal with the relatively few special cases. The legislation should not address these overly specific issues, but leave them to be reviewed by the campus aid administrator.

Finally on this topic of simplicity, the actual delivery of these funds must be made less complicated. The process currently requires a separate set of documents, called the Student Aid Report, or SAR, for making payment to a Pell eligible student. The information showing a student's eligibility is often already known to an institution and is not altered in any way by the use of the SAR. The enhanced technology now employed by the agencies, such as the College Scholarship Service, produces equally valid eligibility indices, no longer necessitating the use of this very expensive SAR document. This significant expense, which also is a complicating and redundant step in the delivery process should be eliminated.

Another major need with regards to the Pell Grant program is institutional integrity. Much has been written about the abuse of Federal student aid since the last reauthorization, particularly as it related to the quality of educational programs. It should be apparent that standards must be established that are objective, applicable to the various kinds of institutions now participating in Federal student aid and regularly monitored by adequately trained and staff personnel at the Department of Education.

In addition, regulatory relief is needed for those many institutions which are not part of this scandalous problem, and which not only demonstrate sound administration as custodians of the Federal dollar, but also graduate their students. This relief should not only be in the form of exemptions from burdensome and inappropriate regulations for institutions with satisfactory record,s but should also come in the form of rewards for incentives for those whose results exceeds the standards.

The final aspect of the Pell Grant which I would today like to address deals with the award amounts. We would recommend that Congress seriously consider the proposals submitted to this subcommittee earlier this spring by the American Council on Education. Briefly, this recommendation includes the increase of the Pell annual maximum to—as the recent ACE reports suggest, $4,500, while placing certain limits on how much of this grant could be used for living expenses as well as for tuition.

I would not support the proposal to front-load Pell Grants in the first 2 years of a student's education, then eliminate them and require large loans for the remaining years. This proposal attempts to solve the problem of high loan defaults more often related to those students who do not continue their education after 1 or 2 years. Not only is this not the solution to this serious problem, but also it would send some very disturbing signals to those who aspire to continue their education past the first 2 years.

Thank you for this opportunity to testify. I commend you and your fellow Members of Congress for your continued efforts to encourage greater access to and greater diversity in higher education.

I would be pleased to respond to any questions you may have.

[The prepared statement of Father Malloy follows:]

Testimony

Committee on Education and Labor
U. S. House of Representatives
Subcommittee on Postsecondary Education

Edward A. Malloy, C.S.C., President
University of Notre Dame
Notre Dame, Indiana 46556

June 5, 1991
Washington, D.C.

Mr. Chairman and Members of the Subcommittee:

I am Edward A. Malloy, President of the University of Notre Dame in Notre Dame, Indiana. I appreciate this opportunity to testify at the Subcommittees's hearings on the reauthorization of the Higher Education Act. Consistent with the intent of today's agenda, I will concentrate my remarks on the Pell Grant, one of the federal student assistance programs authorized in Title IV of the Act. My testimony will address three aspects of the program: simplicity, integrity, and award amounts.

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Just below the surface of the question of *simplicity* in the *application process* is the long-standing debate between two understandably valid positions: those who argue for keeping this entry point into the world of financial aid as uncomplicated as possible so as not to serve as a burden or even worse, a discouragement to those who seek help in the pursuit of higher education ... versus those who counter that the circumstances of many families require a more comprehensive approach to determining financial ability. Our recommendation is to authorize a special "bypass" process for restricted applicants such as those who file simple federal tax returns, i.e. 1040A's or 1040EZ's, or those whose circumstances do not require their filing any tax returns, e.g. families receiving public assistance.

The federal application should be designed to address the circumstances of the vast majority of families. It should eliminate questions that attempt to address relatively minor exceptions (such as displaced homemakers or dislocated workers), and permit the campus financial aid administrator the restricted authority to deal individually with these cases.

One aspect of the current application process which has created much confusion for many families is the section that attempts to define the so-called "independent student." Congress must once and for all settle on a definition which is simple to understand, easy to administer, and, perhaps most importantly, makes common sense in respect to the traditional principle that parents are primarily responsible for the education of their children to the extent they are capable.

The issue of the simplicity of the methodology is also worthy of attention. Congress should authorize one formula for measuring family ability to pay and should employ current and realistic economic factors in developing this formula. If the end result is an eligibility index which produces a need too great for federal funding of a particular program such as the Pell Grant, the basic economic assumptions should not be artificially revised in order to produce an index that accommodates the funding restraints. Nor should these underlying assumptions be revised in order to extend this "index" to "self-help" programs such as work and loans.

If factors such as restricted funding or an intent to assist hard pressed middle income families require that either a rationing or expansion factor be employed to achieve the desired results, then appropriate adjustments should be made to the eligibility index, not to the basic formula. By adhering in all cases to this one basic and realistic need formula, we will have removed a great part of the confusion currently experienced by families trying to understand financial aid.

Again, part of the solution to this problem certainly must involve the present attempts in the so called Congressional Methodology to deal with a relatively few special cases. The legislation should not address these overly specific issues but leave them to be reviewed by the campus aid administrator.

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Another major need with regards to the Pell Grant program is institutional integrity. Much has been written about the abuse of federal student aid since the last reauthorization, particularly as it related to the quality of educational programs. It should be apparent that standards must be established that are objective, applicable to the various kinds of institutions now participating in federal student aid, and regularly monitored by adequately trained and staffed personnel in the Department of Education.

In addition, regulatory relief is needed for those many institutions which are not part of this scandalous problem and which not only demonstrate sound administration as custodians of the federal dollar, but also graduate their students. This relief should not only be in the form of exemptions from burdensome and inappropriate regulations for institutions with satisfactory records, but should also come in the form of rewards or incentives for those whose results exceed the standards.

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I would not support the proposal to "front-load" Pell Grants in the first two years of a student's education, then eliminate them and require large loans for the remaining years. This proposal attempts to solve the problem of high loan defaults more often related to those students who do not continue their education after one or two years. Not only is this not the solution to this serious problem, but also it would send some very disturbing signals to those who aspire to continue their education past the first two years.

Thank you for this opportunity to testify. I commend you and your fellow members of Congress for your continued efforts to encourage greater access to and greater diversity in higher education. I would be pleased to respond to any questions you may have.

Mr. **Andrews**. Thank you, Father. We are going to complete the statements on the panel before we go to questions. I would next call upon Mr. Barton.

Welcome to the committee.

STATEMENT OF DAVID H. BARTON, PRESIDENT COASTAL TRAINING INSTITUTE AUTOMECA TECHNICAL COLLEGE

Mr. **Barton**. Buenos dias, Chairman Andrews, Congressman Coleman and distinguished members of the committee. My name is Dave Barton. I am a resident of San Juan, Puerto Rico. I am a minority there. I am president and principal owner of Coastal Training Institution, a proprietary vocational school with locations in Alabama and Puerto Rico. I am also president of Automeca Technical College and Automotive Mechanic School with three locations in Puerto Rico.

I am a graduate of Florida State University where I received an MBA. I practiced as a CPA for 19 years, and I specialized in serving proprietary and private non-profit sectors of the educational community. My area of specialty was financial aid and accreditation compliance. My presentation is divided into five areas, which are discussed at length in my written testimony which I request be made part of the record.

Mr. **Andrews**. Without objection, so ordered.

Mr. **Barton**. Proprietary schools—who and what we are. We are private schools that offer vocation and technical courses to students that we believe will be able to get a job upon their graduation. We are teachers who try to motivate students that have not had much success with the educational process. We are administrative employees who know that the student is the only reason that we exist. We are providers to industry of trained entry-level personnel, who make up the majority of the Nation's workforce. We are providers of specialized vocational and technical education for those students or those members of society who are not candidates for the traditional college experience.

Who are the students that we serve? The typical student graduated in the bottom third of his high school class or may not have graduated at all. However, over 90 percent of the students who attend our types of schools have a high school diploma or GED. The public school system has failed to prepare them to move into the job market and they need training. They do not generally associate success with their experience in school at all. They have very little experience with success. They come from the lower socioeconomic sector of our society and have little expectation of succeeding in the economic marketplace, but they do come and they do try.

All of these students have a dream. They are asking for help to achieve this dream. They need encouragement from someone who believes that they can achieve. They know the only way that they can break the poverty cycle is to get more education and get a job. We provide the means to accomplish this dream. Do we succeed in this mission? I believe the answer is a definite yes. More than 60 percent of our students complete their coursework and graduate. Of the graduates, over 70 percent are placed in jobs. However, these students do not have the money to pay for their training, and they rely on the Pell Grant.

Without the Pell Grant, the majority of students who attend the private, vocation and technical schools would not be able to receive any postsecondary education at all. The industry that we serve, graduates from our schools provide the workforce by which this company operates. We train the entry-level worker for industry. In 1989, private career colleges provided about one-half of the Nation's trained entry-level workers. According to the Department of Labor's Bureau of Statistics, by 1995, more than half of all jobs will require education or technical training beyond high school. In that report, of the 20 fastest growing occupations cited by the Bureau of Labor, 13 are taught by private vocational and technical schools. Of the 20 occupations with the largest absolute growth in numbers, 13 are also taught by private vocational and technical schools.

We are able to react to the needs of a changing work environment where the jobs that do not exist today will have to be filled tomorrow. Since our existence depends on our ability to meet the needs of the workplace, we are constantly looking for ways to improve our programs and anticipate the needs of industry. This is our future, as well as the future of our students.

In conclusion, the future of American industry will depend on how well the educational community provides a well-trained workforce to supply its needs. This includes scientists, doctors and all the other professions. However, it also includes the mainstay of the workforce, the people who do the work, the skilled factory worker, the medical assistant, the secretaries, the automotive mechanics, the paramedics, the draftsmen, the computer repairman, the programmers, and the many other careers for which vocational schools provide training. These are the students that we train and we can do it efficiently and promptly.

However, we need your help to see that our students are treated on an equal basis and not as second class citizens in the financial aid arena. In the reauthorization process, I ask that the committee consider not only the educational needs of the students that we serve, but the social cost of not providing the opportunity for these students to improve their situation in life. The related costs of unemployment and crime that result when individuals do not have productive outlets for the energies of youth can be seen in the ghettos of any of our large cities. The Pell Grant, and the private vocational and technical school are like rays of hope to the vast majority of the low-income students, the minority students and those students who for whatever valid reason are not in a position to attend a traditional college.

At Coastal Training Institute and Automeca Technical College, we believe that the Pell Grant and the private vocational and technical school are vital parts for the future of these students and for the future of the American workforce that relies on them today and will rely on them tomorrow.

Thank you.

[The prepared statement of David H. Barton follows:]

Coastal
Training
Institute
"EDUCACION A TU ALCANCE"

June 5, 1991

Honorable William D. Ford, Chairman
U.S. House of Representatives
Committee on Education and Labor
2431 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Ford:

Enclosed is my complete testimony which I would like to have presented into the record of the hearings on the reauthorization of the Higher Education Act of 1965. I have also enclosed a copy of the summary that I will present to the Committee this morning.

Thank you for giving me the opportunity to present my views on the Pell Grant Program and its relationship to the student we serve in the private vocational and technical school sector of the education community. I hope that the views that I have expressed will enable the Committee to have a better understanding of the roll that our type of school plays in the development of the young adults of our country and the roll we play in supplying the nations business community with trained entry level employees.

Yours very truly,

David H. Barton
President

BEST COPY AVAILABLE

STATEMENT OF MR. DAVID H. BARTON TO THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION OF THE UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON EDUCATION AND LABOR, HEARINGS ON REAUTHORIZATION OF HIGHER EDUCATION ACT, JUNE 5, 1991.

CHAIRMAN FORD AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE:

Good morning. My name is DAVID BARTON. I am a resident of San Juan, Puerto Rico. I am the president and principal owner of COASTAL TRAINING INSTITUTE, a proprietary vocational school with locations in Alabama and Puerto Rico. I am also the President of AUTOMECA TECHNICAL COLLEGE, an automotive mechanics school with three locations in Puerto Rico.

I am a graduate of Florida State University receiving my MBA degree in March of 1970. I practiced as a CPA for 19 years and from 1972 to 1989 I specialized in serving institutions in the proprietary and private non profit sectors of the educational community. My area of specialty was and is in the areas of financial aid and accreditation compliance. During my years as a CPA/consultant I have assisted and consulted with over 75 different vocational and post secondary schools. In this capacity I have worked very closely with the members of the Department of Education in Washington and the Atlanta and New York regions.

In 1986 I acquired COASTAL TRAINING INSTITUTE in Montgomery, Alabama. In 1988 I moved to Puerto Rico and opened branches in the towns of Manati, Aguadilla and Fajardo.

My purpose in addressing this committee is to acquaint the committee with the needs of the students that attend proprietary and private non profit vocational schools and how the financial aid programs of the Higher Education Act of 1965, and in particular the Pell Grant Program, can meet those needs.

My presentation will be divided into the following four areas:

1. PROPRIETARY SCHOOLS - WHO AND WHAT WE ARE
2. OUR STUDENTS AND THE FINANCIAL AID PROGRAMS
3. THE ROLE OF THE U. S. DEPARTMENT OF EDUCATION
4. THE INDUSTRY THAT WE SERVE
5. A VISION OF THE FUTURE

1. WHO AND WHAT WE ARE? - We are private schools which are operated through a corporate structure which is organized to make a profit. This however, does not mean that you AUTOMATICALLY make a profit, it means that you have the opportunity to make a profit. We offer courses to students that we believe will result in their being able to get a job upon graduation. We are teachers who try to motivate students that have not had much success with the educational process. We are administrative employees who know that the student is the reason that we exist, therefore we know that we must provide the best possible educational product and administrative service to those students so that we can continue to attract new students. We are providers to industry of trained entry level personnel who make up the majority of the nation's work force.

We are not four year "traditional institutions". We are providers of specialized short term education for those members of society that are not candidates for the traditional college experience.

The business of proprietary schools can be likened to the analogy of a three legged stool, each leg representing a segment of the business. One leg represents the need to recruit and enroll students, one leg represents the need to provide competent, relevant and up-to-date training and the last leg is the need to find jobs for the students once they graduate. In order to be successful a school must do all three of these things and do them well. Without students there is no school. Without competent training there can be no qualified graduates and without qualified graduates there can be no placement in industry. If there is no placement then you will not be able to recruit in the future. Our goal is to do all of these elements to the best of our ability. To achieve these goals we provide many services to our students: we provide counselling for course selection, personal problems and academic concerns, we provide financial assistance, we provide tutoring services and placement assistance services. Our objective is to provide an environment that encourages the students to achieve their goals and to graduate from their course. This orientation of putting the student first exists in every successful school because the students are the reason that we exist.

2. WHO ARE THE STUDENTS THAT WE SERVE? I will start by giving you a profile of a typical student. This profile is valid whether the students are in Alabama or in Puerto Rico. The typical student graduated in the bottom 1/3 of his/her high school class, or may not have graduated at all. They generally have been failed

by the public school system. They do not associate success with their experience in school. As a matter of fact they have not had much experience with success at all. They come from the lower socio-economic sector of our society and have little or no hope of succeeding in the economic marketplace. In many cases their self esteem is so low when they come in for the initial interview that they are uncomfortable to look you straight in the eye. But the important thing is that they come. All of these students have a dream. They are asking for help to achieve this dream. They need encouragement and someone who will believe that they can achieve. They know that the only way to break the poverty cycle that they are in is to get more education so they can get a job. We provide the means to achieve this dream. The students that come to us are the minimum wage workers who want to upgrade their skills so that they can get the higher paying jobs; they are the young adults of the streets who have found out that after a year out of high school jobs are scarce when you do not have some kind of training; they are regular high school students who cannot afford to attend a traditional college and take the required four years to get a degree; they are the young unwed mothers with small children at home; they are middle aged women who are now divorced and must find a job to help support themselves. One thing almost all these students have in common is that they do not have the money to pay for college and they rely totally on the PELL GRANT to supply funds to pay for their education. Without the present Student Financial Assistance Programs the majority of the students who attend the private vocational schools would not be able to receive any post secondary education. These students could not be absorbed by the public system and would be lost in and by the educational process. The student that attends our type of school does not have the financial capability to pay for his/her educational training, but is the one who needs the training the most. Our students rely on the Pell Grant and other aid to afford them the opportunity to learn a trade and help them break the poverty cycle.

However, these students also have significant problems. I want to be very candid about the problems that we face in proprietary schools. I want to explain that even though we try very hard to provide the right environment for our students, we do not always succeed with each of our students. We have problems with students dropping from classes, we have absentee problems, we have students defaulting on student loans. This does not mean that we are not trying or that we are a bad or poorly run school. What it means is that we serve a high-risk student. A student who may dropout for any number of valid reasons, none of them having anything to do with the quality of the education or the way they were treated at the school. Our students have more serious crises in their lives in one month than we have in a year. An unwed mother has a baby get sick. A wife is the victim of physical or mental abuse at home. The husband or boyfriend looses his job and they move. The student looses his/her part time job and must support the family. The list goes on and on. We have developed many plans to combat the problems of dropouts and absenteeism. Our goal is to graduate all the students that we enroll. We know that this objective is impossible but from our perspective that is good business for us. The more students we graduate the more likely our school is to be profitable. There are a number of things that we need to continue to do in our schools to help solve these problems and we are committed to doing everything that is possible to reduce dropouts and defaults and our other problems, and we welcome any regulation that fairly addresses these issues. However, what is really needed is the recognition by Congress and the U. S. Department of Education of the student population that we serve. This population is by definition a greater risk to default on a student loan, a greater risk to drop out. There is a social cost which has long been ignored by the current legislation and regulation relating to student financial aid. We are very concerned by certain assumption that it appears that the Department has about the vocational proprietary schools. These are:

a. That a school with a high default rate on its guaranteed student loans is a bad school, that it does not provide quality education and that it does not try to inform its students about the nature of the guaranteed student loans. The students that the majority of the proprietary schools serve are precisely the students who should not receive these loans. Whether a student repays his loan is not a function of his recognizing his obligation but more of a reflection of the economic background of the student. Students from the lower socio-economic sector of society do not have the same ability to pay their debt as students from other sectors of society.

b. The other consideration is that the mix of financial aid has changed from being mostly grants to being about a 50/50 mix. This has put grants/loans in the hands of the people who are least likely to be able to repay them. We applaud the proposal to increase the Pell grant to $3700 by President Bush. This demonstrates at least a recognition of the fact that the people who need the most help in paying for their education will receive a long awaited boost in their ability to pay for their education without incurring the burden of a debt that they may be unable to repay. This brings me to the role of the U. S. Department of Education.

3. THE ROLE OF THE U. S. DEPARTMENT OF EDUCATION. The recent rule proposal by the Department of Education regarding the clock hour versus credit hour issue appears to be driven solely by budget considerations and directed at eliminating the proprietary schools and their students from the Financial Aid Programs. We recognize that there are some schools that have taken advantage of the financial aid rules and have not provided the quality training. However, we believe that is a separate problem and that the abusers should be dealt with as a separate issue and not as a blanket approach to proprietary schools in general. Various proposals that have come out in the past few years that apply only to vocational proprietary schools have in effect made a second class citizen out of the student who for a number of valid reasons cannot or will not qualify to go to a traditional college by making it impossible to

receive comparable amounts of financial aid at a vocational or trade school. This sends the message that you are more important if you go to the traditional colleges than if you go to a vocational school and become a draftsman, a secretary, a computer operator, a mechanic or any of the other occupations that vocational schools can prepare you for. The proposed clock hour versus credit hour rule is such an attempt by the Department of Education to create two classes of students. If they want to insure compliance with financial aid rules they should increase the oversight function, but do not punish the poor and minority student who is struggling to succeed in a world where the odds are already stacked against him/her. I have included in my written statement more on this subject and the members of the committee can find the details of this discussion in that document. We say that there is no such thing as a separate but equal system for vocational school students. We believe that the rules be the same for all the students and not differentiate between the traditional colleges and the trade and technical schools.

We must emphasize that even though we serve, as described earlier, higher risk students coming from lower income and/or minority families, our success in providing education to these students is impressive. The following statistics speak of the success of private vocational schools and our students:

a) over 80% of the students who graduate from a private vocational school get placed in jobs.

b) more than 60% of our students complete their course work and graduate.

c) over 90% of students attending private vocational schools have a high school diploma or GED.

d) minorities represent 40% of enrollment in trade and technical schools as compared to 25% for community colleges and 19% in four year colleges.

e) in 1989 private career schools produced about one-half of the nation's trained entry-level workers.

These figures more than justify the need to strengthen, rather than weaken, the educational opportunities of students attending our schools and the commitment on our part, with the support of the federal and state governments, the accrediting agencies and the industrial and business community, to see that our type of institutions are more fully developed rather than placed at the fringes of the educational effort in our nation.

4. THE INDUSTRY THAT WE SERVE - Graduates from our schools provide the work force by which this country operates. The role that our schools play in the educational community is to train the entry level worker for industry. These workers generally come from the poor or lower middle income groups in society. Most of the time they are minorities.

According to the Department of Labor's Bureau of Labor Statistics, by 1995 more than half of all jobs will require education or technical training beyond high school. Of the 20 fastest growing occupations cited by the Bureau of Labor Statistics

13 are taught by the private vocational colleges and schools. Of the 20 occupations with the largest absolute increase in the number of jobs 13 are also taught by the private vocational colleges and schools. We are the supplier of the nation's work force. We are able to react to the needs of a changing work environment where jobs that do not exist today will have to be filled tomorrow. We work closely with employers to stay abreast of their changing needs. Since our existence depends on our ability to meet the needs of the work-place we are constantly looking for ways to improve our programs and anticipate the needs of industry.

At this time, I would like to stress the economic impact of private career schools in the economy of the Commonwealth of Puerto Rico and the importance of our students to industry in the island.

Puerto Rico's 101 private career schools provide education to 61,081 students a year. Over 10,744 graduate annually. The schools are a positive economic asset to the state both as a business and as an educational institution.

First, private career school graduates make a continuing contribution to the economy because of their improved productivity. Each graduate will earn an additional $114,000 in his or her lifetime because of their education.

Second, private career schools are businesses which pay salaries, buy goods and services from other businesses and pay taxes to local, state and federal governments. The schools pay $100 per student in corporate and property taxes to local, state, and federal governments.

Third, private career schools provide education at a much lower cost than is possible in public community colleges. Each student enrolled in a private career school saves Puerto Rico taxpayers over $3,587.

These figures show a great deal of diversity among Puerto Rico's private career schools. Private career schools offer programs ranging from 300 hours in length to graduate degrees. Private career schools vary in size from less than a dozen students to thousands.

Private career school education is an investment in the future. Earnings increase as a result of specialized vocational education. Graduates of private career schools have higher personal incomes and pay more taxes. Research suggests that, on average, a student with vocational education after high school will make $2,857 a year more income than a high school graduate. Over a 40 year career, the private career school student will earn $114,280 more than the high school graduate. The state and federal government will collect $46,900 extra tax dollars from the graduate. A small investment today pays-off for a lifetime.

Private career school students are successful. The annual graduation rate is 77 percent, with 40 percent of the graduates placed in jobs immediately. The graduation and placement rate compares favorably with other sectors of postsecondary education in the state. For example, the graduation rate of students in public community colleges is about 45 percent.

Private career schools are businesses. Gross revenues of the schools are estimated to be $275.1 million. In addition, students are spending more than $354.3 million for living costs. This $629.4 million is an important contribution to the state economy.

Puerto Rico's private career schools employ over 1,046 people. The school employees pay $6.6 million in income taxes to the state and the schools pay $8.5 million in corporate taxes to the state. The $15.1 million paid to the state of Puerto Rico does not include federal taxes or property taxes paid to local tax districts.

5. THE FUTURE - In conclusion, the future of American Industry will depend on how well the educational community provides a well trained work force to supply its needs. This includes scientists, doctors, attorneys, accountants and other professionals. However, it also includes the mainstay of the work force. The people who do the work, the skilled factory worker, the doctor's assistant, the secretaries, the automotive mechanics, the paramedics, the draftsmen, the computer repairmen and programmers. These are the people, the students that we train and we can do it efficiently and promptly. However, we need your help to see that our students are treated on an equal basis, not as second class citizens. In the reauthorization process, I ask that the Committee consider not only the educational needs of the students that we serve but the social costs of not providing the opportunity for these students to improve their situation in life. The related costs of unemployment and crime that result when individuals do not have productive outlets for the energy of youth

can be seen in the ghettos of any large city. The Pell Grant and the vocational schools are the rays of hope for the low income and/or minority student who for whatever valid reason is not in a position to attend a traditional college. At Coastal Training Institute and Automeca Technical College we believe the role of the Pell Grant and the vocational schools is vital for the future of these individuals and for the work force that American business relies on today and will rely on tomorrow.

I am including as part of my testimony additional documents that I would like the Committee to review in conjunction with my above statements. These are:

1. Summary of the Issues in Reauthorization
2. Letter to Ms. Carney M. McCullough relating to the clock hour vs. credit hour issue.
3. Letter to Resident Commissioner Jaime B. Fuster
4. Advertisement - THE DAY THE EARTH STOOD STILL
5. Letters from companies who employ our graduates
6. Letters from our students

THANK YOU.

SUMMARY OF THE ISSUES IN REAUTHORIZATION

REAUTHORIZATION TO THE HIGHER EDUCATION ACT OF 1965
THE PRIVATE VOCATIONAL SCHOOL STUDENT AND THE MARKET PLACE
SUMMARY OF THE ISSUES

1. STUDENT ACCESS- WE BELIEVE THAT THE STUDENTS SHOULD CONTINUE TO HAVE THE OPPORTUNITY TO CHOOSE THE TYPE OF SCHOOL THAT HE/SHE WANTS TO ATTEND AND THAT THE PRESENT "STUDENT BASED" AID BE CONTINUED.

2. FUTURE EMPLOYMENT NEEDS- THE JOB MARKET NEEDS THE GRADUATES THAT COME FROM PRIVATE VOCATIONAL SCHOOLS. IN 1989 50% OF THE TRAINED ENTRY LEVEL WORKERS WERE GRADUATES OF PRIVATE VOCATIONAL SCHOOLS.

3. STUDENT LOAN DEFAULTS- STUDENT LOAN DEFAULTS ARE A PROBLEM. HOWEVER, THEY ARE NOT DIRECTLY RELATED TO ANY GROUP OF SCHOOLS BUT TO THE TYPE OF STUDENTS THEY SERVE. THE POOR AND THE MINORITY GROUPS ARE HIGH RISK BORROWERS, BUT DOES THIS MEAN THEY SHOULD BE EXCLUDED. WE ARE WORKING ON DEFAULTS AND THE DEFAULT RATE FOR ALL PRIVATE VOCATIONAL SCHOOLS HAS GONE DOWN 13.2% SINCE 1986.

4. CLOCK HOUR VS. CREDIT HOUR- THE ISSUE HERE IS WHETHER OR NOT A PRIVATE VOCATIONAL SCHOOL STUDENT SHOULD BE ABLE TO RECEIVE THE SAME GRANT AS A TRADITIONAL COLLEGE STUDENT. THE DEPARTMENT OF EDUCATION PROPOSED RULE WOULD REQUIRE A VOCATIONAL STUDENT TO SPEND 900 IN CLASS TO RECEIVE A FULL GRANT WHILE A TRADITIONAL COLLEGE STUDENT MAY SPEND AS LITTLE AS 360 HOURS IN CLASS AND RECEIVE A FULL GRANT. THIS SAYS THAT YOU ARE MORE VALUABLE AS A CITIZEN IF YOU ARE ABLE TO GO TO A TRADITIONAL COLLEGE. WE DO NOT BELIEVE THAT THIS IS THE MESSAGE TO SEND TO OUR YOUTH.

5. ABUSES- THERE ARE SOME ABUSES OF THE FINANCIAL AID SYSTEM BY BOTH VOCATIONAL SCHOOLS AND THE COLLEGES AND UNIVERSITIES. THIS IS A SEPARATE ISSUE THAT SHOULD BE DEALT WITH ON ITS OWN. THE VIOLATORS SHOULD BE ELIMINATED FROM THE SYSTEM, BUT THE SYSTEM SHOULD NOT BE SCRAPPED BECAUSE OF THE ABUSES OF A FEW.

6. TAXPAYING SCHOOLS- THE PRIVATE VOCATIONAL SCHOOLS HAVE A SIGNIFICANT EFFECT ON THE COMMUNITIES THEY SERVE. OUR SCHOOLS IN PUERTO RICO HAVE AN ANNUAL PAYROLL OF APPROXIMATELY $14,000,000. IN ADDITION TO PAYROLL TAXES WE ALSO PAY CORPORATE INCOME TAXES, PROPERTY TAXES, EXCISE TAXES; THESE ARE NOT PAID BY PUBLIC INSTITUTIONS. OUR TOTAL EMPLOYEES NUMBER OVER 650 AND THE MULTIPLIER EFFECT OF THEIR SPENDING CONTRIBUTES SIGNIFICANTLY TO THE ECONOMY OF THE TOWNS IN WHICH WE OPERATE. THE SAME IS TRUE OF THE PRIVATE VOCATIONAL SCHOOLS IN YOUR STATE.

IN SUMMARY, THERE ARE MANY MORE ISSUES THAT WILL BE CONSIDERED IN THE DEBATE CONCERNING THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965, BUT WE BELIEVE THAT THESE ARE THE MOST SIGNIFICANT. WE ASK THAT THE MEMBERS OF CONGRESS WEIGH ALL THE FACTS AND ATTEMPT TO SORT OUT THE ISSUES CLEARLY AND NOT LINK ITEMS THAT DO NOT BELONG ON THE EDUCATION AGENDA.

REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965
THE PRIVATE VOCATIONAL SCHOOL STUDENTS AND THE MARKET PLACE

POINTS TO CONSIDER

BACKGROUND- IN THE PAST FEW YEARS THERE HAS BEEN A SIGNIFICANT AMOUNT OF CRITICISM LEVELED AT PRIVATE VOCATIONAL SCHOOLS AND THE FINANCIAL AID SYSTEM WHICH FUNDS THESE STUDENTS. THESE CRITICISMS WE BELIEVE ARE DRIVEN BY BUDGET CONSIDERATIONS AND BY A MISINFORMED OR UNINFORMED POPULACE. WE BELIEVE THAT THE INTENT OF THE LEGISLATION IS BEING OVERLOOKED IN THE ARDENT DESIRE TO BALANCE THE BUDGET. THE KEY ISSUES THAT WE BELIEVE NEED TO BE ADDRESSED ARE: STUDENT ACCESS, EMPLOYMENT NEEDS FOR THE FUTURE, STUDENT LOAN DEFAULTS, AND ENFORCEMENT OF THE FINANCIAL RULES. WE BELIEVE THERE ARE SOME PEOPLE WHO HAVE A BIASED VIEW OF OUR TYPE OF SCHOOLS. THIS HAS COME ABOUT BECAUSE OF SOME ADVERSE PUBLICITY HAVING TO DO WITH A FEW UNCONSCIONABLE SCHOOL ADMINISTRATORS WHO HAVE TAKEN ADVANTAGE OF STUDENTS AND THE FINANCIAL AID SYSTEM. IT IS IMPORTANT TO KEEP IN MIND THAT THESE MEDIA REPORTS REFLECT THE PRACTICES OF ONLY A FEW OF THE PRIVATE VOCATIONAL SCHOOLS. THIS IS A SEPARATE PROBLEM AND SHOULD NOT BE CONSIDERED AS A REASON FOR EXCLUDING THE VAST MAJORITY OF VOCATIONAL SCHOOLS AND STUDENTS WHO ARE TRYING THEIR BEST TO PROVIDE AND RECEIVE A QUALITY EDUCATION. THE U.S. DEPARTMENT OF EDUCATION APPEARS TO BE TRYING TO EXCLUDE THAT PORTION OF THE POPULATION WHICH NEEDS THE MOST FROM EDUCATION. THESE ARE THE POOR. WITHOUT AN EDUCATION WHICH WILL ENABLE THEM TO GET A JOB THEY WILL NOT BE ABLE TO BREAK THE POVERTY CYCLE. ULTIMATELY, THIS WILL IMPOSE GREATER COSTS TO THE GOVERNMENT.
THIS IS ALSO THE PORTION OF THE POPULATION WHICH SOCIETY NEEDS MORE THAN ANY OTHER SECTOR TO HAVE EDUCATIONAL OPPORTUNITIES. THIS SECTOR, THE VOCATIONAL SCHOOL STUDENT IS GENERALLY THE POOR WHITE, THE BLACK COMMUNITY, AND THE HISPANIC COMMUNITY. THESE SEGMENTS OF THE POPULATION IN GENERAL ARE THE ONES WHO NEED THE OPPORTUNITY TO GAIN SKILLS AND A DECENT PAYING JOB. THIS IS THE ONLY WAY THEY WILL GET OFF THE WELFARE AND TRANSFER PAYMENT ROLES.

KEY ISSUES

1. STUDENT ACCESS- WHO SHOULD GET STUDENT AID? WHAT IS THE PURPOSE OF STUDENT AID? WHAT IS GOING TO BE THE INTENT OF THE LEGISLATION THAT REAUTHORIZES THE HIGHER EDUCATION ACT OF 1965? THESE ARE WHAT WE CONSIDER THE REAL ISSUES TO BE DEALT WITH DURING THE REAUTHORIZATION PROCESS. THIS IS WHERE THE TOUGH DECISIONS ARE GOING TO BE MADE. ARE WE WILLING TO PROPERLY ADDRESS THESE QUESTIONS? IT IS HERE THAT WE MAKE OUR CASE AS VOCATIONAL SCHOOL OWNERS THAT IT IS PRECISELY THE STUDENTS THAT WE SERVE THAT CAUSES THESE QUESTIONS TO BE SO CRITICAL. WILL THE REAUTHORIZATION TREAT THE VOCATIONAL STUDENT AS SECOND CLASS CITIZENS AND PROVIDE A "SEPARATE BUT EQUAL" SYSTEM OF FINANCIAL AID SYSTEM? THIS SYSTEM WOULD SEND A STRONG AND UNMISTAKABLE SIGNAL TO THE NON TRADITIONAL COLLEGE BOUND STUDENT THAT THEIR LIVES AND THEIR CONTRIBUTIONS ARE NOT THE SAME OR AS IMPORTANT AS THE "COLLEGE-BOUND YOUTH". IS THIS THE MESSAGE WE WANT TO SEND TO OUR YOUTH?

LETS TALK ABOUT OUR STUDENTS

OVER 80% OF THE STUDENTS WHO GRADUATE FROM A PRIVATE VOCATIONAL SCHOOL GET PLACED IN JOBS.

MORE THAN 60% OF OUR STUDENTS COMPLETE THEIR COURSE WORK AND GRADUATE. THIS COMPARES FAVORABLY TO 58% FOR FOUR YEAR COLLEGES AND 43% IN COMMUNITY COLLEGES.

OVER 90% OF THE STUDENTS ATTENDING PRIVATE VOCATIONAL SCHOOLS HAVE A HIGH SCHOOL DIPLOMA.

MINORITIES REPRESENT 40% OF ENROLLMENT IN TRADE AND TECHNICAL SCHOOLS AS COMPARED TO 25% FOR COMMUNITY COLLEGES AND 19% IN FOUR YEAR COLLEGES.

IN 1989 PRIVATE CAREER SCHOOLS PRODUCED ABOUT ONE-HALF OF THE NATIONS TRAINED ENTRY-LEVEL WORKERS.

2. FUTURE EMPLOYMENT NEEDS- ACCORDING TO THE DEPARTMENT OF LABOR'S BUREAU OF LABOR STATISTICS, BY 1995 MORE THAN HALF OF ALL JOBS WILL REQUIRE EDUCATION OR TECHNICAL TRAINING BEYOND HIGH SCHOOL. OF THE 20 FASTEST GROWING OCCUPATIONS CITED BY THE BUREAU OF LABOR STATISTICS 13 ARE TAUGHT BY THE PRIVATE VOCATIONAL COLLEGES AND SCHOOLS. OF THE 20 OCCUPATIONS WITH THE LARGEST ABSOLUTE INCREASE IN THE NUMBER OF JOBS 13 ARE ALSO TAUGHT BY THE PRIVATE VOCATIONAL COLLEGES AND SCHOOLS. WE ARE THE SUPPLIER OF THE NATIONS WORK FORCE. WE ARE ABLE TO REACT TO THE NEEDS OF A CHANGING WORK ENVIRONMENT WHERE JOBS THAT DO NOT EXIST TODAY WILL HAVE TO BE FILLED TOMORROW. WE WORK CLOSELY WITH EMPLOYERS TO STAY ABREAST OF THEIR CHANGING NEEDS. SINCE OUR EXISTENCE DEPENDS ON OUR ABILITY TO MEET THE NEEDS OF THE WORK-PLACE WE ARE CONSTANTLY LOOKING FOR WAYS TO IMPROVE OUR PROGRAMS AND ANTICIPATE THE NEEDS OF INDUSTRY. THIS IS OUR FUTURE AS WELL AS THE FUTURE OUR STUDENTS.

3. STUDENT LOANS AND DEFAULTS- STUDENT LOAN DEFAULTS ARE A PROBLEM FOR EVERY SECTOR OF POSTSECONDARY EDUCATION. HOWEVER, THERE ARE A FEW ITEMS THAT NEED TO BE DISCUSSED TO PUT THE DEFAULT QUESTION IN PERSPECTIVE. THERE IS RESEARCH THAT INDICATES LOAN DEFAULTS AT A COLLEGE, UNIVERSITY OR A PRIVATE CAREER SCHOOL ARE LARGELY DUE TO THE TYPE OF STUDENT SERVED. WITH THIS IN MIND IT IS NOT SURPRISING THAT DEFAULT RATES ARE HIGHER AMONG PRIVATE CAREER SCHOOLS. WE SERVE WHAT IS CONSIDERED THE "HIGH RISK" STUDENT- THE POOR, FEMALE, FROM A MINORITY GROUP, WITH NO HELP FROM PARENTS AND GENERALLY OF LOWER ACADEMIC ABILITY. THESE STUDENTS ARE BOUND TO DEFAULT AT A HIGHER RATE THAN THE TRADITIONAL COLLEGE STUDENT. ANOTHER CHANGE HAS TAKEN PLACE IN THE FINANCIAL AID STRUCTURE OVER THE LAST 10 YEARS. IN 1980, GRANTS CONSTITUTED 40% OF THE TYPICAL STUDENT AID PACKAGE, TODAY GRANTS MAKE UP ONLY 29% OF THE STUDENT AID PACKAGE. OF THE STUDENTS WHO ATTEND PRIVATE VOCATIONAL SCHOOLS OVER 80% MUST RELY ON FINANCIAL AID TO SECURE THEIR TRAINING. HOWEVER, YOU SHOULD ASK WHAT ARE WE DOING TO HELP CURB THE DEFAULT PROBLEM. THROUGH OUR ACCREDITATION ASSOCIATIONS WE HAVE ESTABLISHED A DEFAULT MANAGEMENT INITIATIVE WHICH IS DESIGNED TO

HELP BOTH SCHOOLS AND STUDENTS PREVENT DEFAULTS. THIS PROGRAM IS AN EDUCATION PROGRAM DESIGNED TO TEACH STUDENTS ABOUT DEBT AND THE RESPONSIBILITY FOR MANAGING AND REPAYING IT. WE HAVE HELD MORE THAN 100 WORKSHOPS AROUND THE COUNTRY DESIGNED TO ASSIST THE SCHOOL ADMINISTRATORS IN DEALING WITH THE DEFAULT PROBLEM. SINCE 1986, THE DEFAULT RATE AT PRIVATE CAREER SCHOOLS HAS DECREASED 13.2% HOWEVER, WE DO NOT BELIEVE THAT THIS IS THE ULTIMATE SOLUTION. WE BELIEVE THAT A SIGNIFICANT SHIFT IN THE STRUCTURE OF THE FINANCIAL AID SYSTEM IS NECESSARY TO CORRECT THE PROBLEMS THAT PRESENTLY EXIST. WE BELIEVE THAT AN ENHANCED PELL GRANT FOR THE FIRST TWO YEARS IS PREFERABLE TO LOANS. LOANS SHOULD BE AVAILABLE TO STUDENTS WHO ARE IN THE UPPER DIVISION OF COLLEGES AND UNIVERSITIES. THESE ARE STUDENTS WHO ARE IN THEIR 3RD OF 4TH YEAR OF COLLEGE AND WHO ARE ALSO THE MOST LIKELY TO REPAY THEIR LOANS.

4. CLOCK VS. CREDIT HOURS- THIS DEBATE IS STRICTLY A BUDGETARY ISSUE. THERE IS NO BASIS IN FACT OR TRADITION THAT CAN SUPPORT GRANTS FOR "REGULAR COLLEGE" STUDENTS ON A BASIS SIGNIFICANTLY DIFFERENT THAN THOSE FROM A VOCATIONAL COLLEGE BASIS. IF THERE WAS ANY BASIS FOR SUCH A POSITION IT WOULD HAVE BEEN PROPOSED BY THE ACCREDITING BODIES AS A REASONABLE AND RATIONAL BASIS MEASURING ACADEMIC PROGRAMS. THE U.S. DEPARTMENT OF EDUCATION HAS A PROPOSED RULE THAT REQUIRES VOCATIONAL STUDENTS TO ATTEND 900 CLOCK HOURS OF INSTRUCTION TO RECEIVE A FULL GRANT AND ALLOWS A "REGULAR COLLEGE" STUDENT TO RECEIVE A FULL GRANT WITH A MINIMUM OF 360 CLOCK HOURS OF INSTRUCTION. THIS CANNOT BE VIEWED AS ANYTHING BUT DISCRIMINATORY. THIS CREATES A SECOND CLASS CITIZEN OUT OF ANY STUDENT WHO DOES NOT ATTEND A TRADITIONAL COLLEGE. THIS SENDS THE MESSAGE TO THE VOCATIONAL STUDENTS, TYPICALLY A MINORITY OR A FEMALE FROM A DISADVANTAGED BACKGROUND, THAT THEIR CONTRIBUTION AND THEIR IMPORTANCE TO SOCIETY IS SOMEHOW LESS THAN THE STUDENT WHO IS ATTENDING A TRADITIONAL COLLEGE. WE DO NOT BELIEVE THAT THIS IS THE MESSAGE THAT THE CONGRESS INTENDED TO SEND TO THIS SECTOR OF SOCIETY OR THE MESSAGE IT PRESENTLY WANTS TO SEND.

5. ABUSES- WE HAVE HEARD A LOT ABOUT ABUSES OF THE FINANCIAL AID SYSTEM. WE BELIEVE THE ABUSES SHOULD BE DEALT WITH EFFECTIVELY AND THAT THE SYSTEM SHOULD BE STRICTLY ENFORCED. HOWEVER, FOR THE MINORITY OF PROPRIETARY SCHOOL OWNERS WHO ABUSE THE SYSTEM THERE ARE MANY WHO DO THEIR BEST TO PROVIDE THE BEST QUALITY EDUCATION THAT IS POSSIBLE FOR THEIR STUDENTS. THE ISSUE OF ABUSE IS A SEPARATE ISSUE.

6. TAXPAYING SCHOOLS- THE PRIVATE VOCATIONAL SCHOOLS ARE TAXPAYERS. WE MAKE A SIGNIFICANT CONTRIBUTION TO THE ECONOMY OF THE COMMUNITIES WE SERVE. WE EMPLOY APPROXIMATELY 650 PEOPLE IN OUR PUERTO RICO OPERATIONS AND HAVE AN ANNUAL PAYROLL OF APPROXIMATELY $14,000,000. IN ADDITION TO PAYING SIGNIFICANT AMOUNTS OF PAYROLL AND RELATED TAXES, WE PAY CORPORATE INCOME TAXES, PROPERTY TAXES, EXCISE TAXES; WHICH PUBLIC COLLEGES DO NOT PAY. THE PAYROLL THAT WE PAY HAVE A SIGNIFICANT MULTIPLIER EFFECT IN THE COMMUNITIES WHERE WE HAVE CAMPUSES. WE ALSO SPEND SIGNIFICANT AMOUNTS OF MONEY FOR MATERIALS, SUPPLIES AND EQUIPMENT. WHEN ONE OF THE SCHOOLS GETS INTO TROUBLE, ALL THAT IS EVER HEARD

IS THAT THE SCHOOL RECEIVED $XXXX DOLLARS OF FEDERAL FUNDS. THERE IS NEVER A MENTION OF WHAT HAPPENED TO THE MONEY. THE TRUTH IN MOST OF THOSE SITUATIONS IS THAT IT WENT TO PAY PAYROLL FOR TEACHERS, ADMINISTRATIVE STAFF, AND TO SUPPLIERS; AND NOT TO THE OWNERS. THIS IS BY NO MEANS TRYING TO JUSTIFY ANY WRONG DOING THAT MAY HAVE TAKEN PLACE, BUT MERELY AN ATTEMPT TO BRING ALL THE FACTS TO LIGHT AND TO PLACE THE SITUATION IN PERSPECTIVE. WE BELIEVE THAT THE COUNTRY IS WELL SERVED BY THE PRIVATE VOCATIONAL SCHOOL INDUSTRY AND THAT WE ARE SIGNIFICANT CONTRIBUTORS TO THE ECONOMY OF THE NATION.

IN SUMMARY, THERE ARE MANY MORE ISSUES THAT WILL COMPRISE THE DEBATE CONCERNING THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965, BUT WE BELIEVE THAT THESE ARE THE MOST SIGNIFICANT. WE ASK THAT THE MEMBERS OF CONGRESS WEIGH ALL THE FACTS AND ATTEMPT TO SORT OUT THE ISSUES CLEARLY AND NOT LINK ITEMS THAT DO NOT BELONG ON THE EDUCATION AGENDA. AS A GROUP, WE WANT TO PROVIDE THE BEST POSSIBLE EDUCATION TO THE YOUTH OF AMERICA; RECOGNIZING THAT NOT ALL YOUNG ADULTS ARE CAPABLE OF GOING TO A TRADITIONAL COLLEGE AND THAT THEY DESERVE CHOICES AND OPPORTUNITIES LIKE THE TRADITIONAL COLLEGE BOUND STUDENT.

LETTER TO MS. CARNEY M. MCCULLOUGH RELATING TO THE CLOCK HOURS VERSUS CREDIT HOUR ISSUE

CESI
EDUCATIONAL
SYSTEMS INC.

OCTOBER 29,1990

MS. CARNEY M. MCCULLOUGH, CHIEF
PELL GRANT POLICY SECTION
DIVISION OF POLICY AND PROGRAM DEVELOPMENT
OFFICE OF STUDENT FINANCIAL ASSISTANCE
U.S. DEPARTMENT OF EDUCATION
400 MARYLAND AVENUE SW
REGIONAL OFFICE BUILDING #3, ROOM 4318
WASHINGTON, D.C. 20202-5346

SUBJECT: 34 CFR PART 668, STUDENT ASSISTANCE GENERAL PROVISIONS; PROPOSED RULE, DATED OCTOBER 1, 1990

DEAR MS. MCCULLOUGH:

THIS LETTER IS WRITTEN TO EXPRESS THE CONCERNS OF THE STAFF AND STUDENTS OF OUR SCHOOLS REGARDING THE PROPOSED RULE MENTIONED IN THE SUBJECT ABOVE. OUR CONCERNS RELATE TO THE INEQUITIES THAT ALREADY EXIST IN THE RULES AND REGULATIONS AND THIS PROPOSED RULE ONLY MAKES THESE INEQUITIES MORE PRONOUNCED AND PUNITIVE TO THE STUDENTS WHO ATTEND VOCATIONAL SCHOOLS. WE WILL ADDRESS WHAT WE CONSIDER TO BE THE MOST SIGNIFICANT OF THESE CONCERNS AND ATTEMPT TO CLARIFY WHY WE BELIEVE THAT THE PROPOSED CHANGES ARE NOT IN THE BEST INTEREST OF THE STUDENTS WHO ATTEND VOCATIONAL SCHOOLS OR THE COUNTRY IN GENERAL. WE BELIEVE THAT QUALITY VOCATIONAL TRAINING IS ESSENTIAL TO THE WELFARE OF THE NATION. THE POINT IS NOT HOW CAN WE PUNISH THE PROPRIETARY SCHOOLS. THIS PROPOSED RULE ASSUMES THAT VOCATIONAL EDUCATION IS NOT A NECESSARY PART OF THE ECONOMY AND THAT THE PRESENT SYSTEM IS EQUITABLE. THESE ISSUSES AND THE ISSUES OF BUDGETARY CONCERNS AND STUDENT ACCESS TO FINANCIAL AID WILL BE DISCUSSED IN THE FOLLOWING PARAGRAPHS.

1. STUDENT ACCESS- THIS QUESTION COULD ALSO BE TERMED VOCATIONAL SCHOOLS VS. TRADITIONAL COLLEGES. THIS PROPOSED RULE CLEARLY IDENTIFIES THOSE STUDENTS WHO CHOOSE TO STUDY AT A TRADE/VOCATIONAL SCHOOL AS A SECOND CLASS CITIZENS. IF A STUDENT CHOOSES TO GO TO A JUNIOR OR SENIOR COLLEGE, HE/SHE IS A FULL TIME STUDENT IF HE/SHE TAKES 12 CREDITS A SEMESTER. THIS MEANS THAT HE/SHE WILL BE IN CLASS 12 HOURS A WEEK FOR 15 WEEKS OR THAT THE STUDENT WILL SPEND 180 CONTACT HOURS IN CLASS PER SEMESTER. THUS, IN TWO SEMESTERS A STUDENT AT A "TRADITIONAL COLLEGE" WILL RECEIVE 360 HOURS OF CLASSROOM INSTRUCTION. FOR THIS PERIOD THE STUDENT WILL RECEIVE A FULL GRANT. THE TYPICAL VOCATIONAL SCHOOL STUDENT WHO ATTENDS A CREDIT HOUR PROPRIETARY SCHOOL HAS TO

994 Muñoz Rivera Avenue, Rio Piedras, Puerto Rico 00925 (809) 765-8687 / FAX: 766-0748

ATTEND A MINIMUM OF 540 HOURS OF CLASSROOM INSTRUCTION (THIS IS 36 CREDIT HOURS OF ATLEAST 15 CLASSROOM HOURS EACH). THIS TIME FRAME COULD BE LONGER IF ANY OF THEIR CLASSES INCLUDED LABORATORY TIME WHICH IS CONVERTED AT 30 HOURS OF INSTRUCTION FOR EACH CREDIT HOUR. THIS EQUATES TO A VOCATIONAL STUDENT HAVING TO ATTEND 180 HOURS MORE THAN A TRADITIONAL STUDENT. THIS IS THE SYSTEM THAT IS SUPPOSED TO BE ABUSIVE ACCORDING THIS PROPOSED RULE? THE VOCATIONAL STUDENT IS ALREADY ATTENDING 50% MORE TIME IN THE CLASSROOM THAN THE "TRADITIONAL" STUDENT. THE PROPOSED RULE WILL MAKE THIS DISPARITY EVEN GREATER AND MORE PUNITIVE ON THE VOCATIONAL STUDENT. WE RECOGNIZE THAT TRADITIONAL THOUGHT PROCESSES HAVE SAID THAT STUDENTS MUST SPEND TWO HOURS OUT OF CLASS FOR EACH HOUR IN CLASS AT TRADITIONAL COLLEGES AND THAT THIS ADDS TO THE TIME SPEND BY THE TRADITIONAL STUDENT. IT SHOULD ALSO BE RECOGNIZED THAT VOCATIONAL STUDENTS SPEND TIME OUT OF CLASS WORKING ON ASSIGNMENTS AND STUDYING. OUR SURVEYS INDICATE THAT OUR STUDENTS SPENT APPROXIMATELY 1.5 HOURS OUT OF CLASS FOR EACH HOUR IN CLASS. HOWEVER, WE BELIEVE THAT THIS INFORMATION IS IRRELEVANT BECAUSE WE DO NOT BELIEVE THAT YOU CAN RELATE HOURS OUT OF CLASS TO HOURS IN CLASS WITH INSTRUCTORS TEACHING AND ASSISTING THE STUDENTS. THE ONLY MESSAGE THAT WE CAN SEE IN THE PROPOSED RULE IS THAT THE DEPARTMENT OF EDUCATION HAS DECIDED THAT STUDENTS AT VOCATIONAL SCHOOLS ARE NOT AS IMPORTANT AS TRADITIONAL STUDENTS AND THAT A CAREER IN A VOCATIONAL/ OCCUPATIONAL FIELD IS NOT AS IMPORTANT AS A "QUOTE" TRADITIONAL COLLEGE CAREER. WE BELIEVE THAT THIS SENDS A MESSAGE TO THE SEGMENT OF SOCIETY THAT IS SERVED BY VOCATIONAL SCHOOLS. THIS MESSAGE IS THAT IF YOU DO NOT COME FROM A BACKGROUND WHICH ALLOWS YOU TO QUALIFY AND/OR BE ACADEMICLY PREPARED TO GO TO A TRADITIONAL COLLEGE THEN YOU ARE NOT ENTITLED TO THE SAME AMOUNT OF FINANCIAL ASSISTANCE OR THE SAME QUALITY OF EDUCATION. THE DEPT OF EDUCATION MUST ADMIT THAT A QUALITY EDUCATION ON ALL LEVELS REQUIRES MONEY TO PAY FOR INSTRUCTORS AND EQUIPMENT AS WELL AS OTHER NEEDED ITEMS.

2. EXAMPLES OF ABUSE- WE WOULD LIKE TO ADDRESS THE EXAMPLES OF ABUSE THAT WERE CITED IN THE PROPOSED RULE. THE EXAMPLE OF THE TEN WEEK CASINO DEALER COURSE IS A VERY INTERESTING COURSE TO USE AS AN EXAMPLE. FIRST,IT WILL ALMOST ASSUREDLY BE DEEMED AN ABUSE BY ANYONE WHO IS OPPOSED TO GAMBLING ON MORAL GROUNDS. ALSO, THE USE OF A DEALER COURSE CAN NOT BE CONSIDERED BY ANYONE AS A REPRESENTATIVE EXAMPLE OF WHAT IS HAPPENING IN THE INDUSTRY AS A WHOLE. THIS EXAMPLE ALSO DOES NOT ADDRESS THE ISSUE OF WHETHER OR NOT THE COURSE WAS APPROVED BY AN ACCREDITING BODY OR WHETHER THE STUDENTS ATTENDING THE COURSE GRADUATED AND GOT JOBS. OTHER QUESTIONS WHICH MIGHT BE ASKED IS WHETHER THE COURSE WAS ACCEPTED IN THE INDUSTRY (I.E. WAS IT A QUALITY PROGRAM). THUS, THE ISSUE AS TO WHETHER THE STUDENTS AND THE PUBLIC WERE SERVED BY THE SCHOOL CANNOT BE TOLD FROM THE LIMITED INFORMATION WHICH IS PRESENTED. WE BELIEVE THAT THE INFORMATION IS PRESENTED IN SUCH A FORM AS TO MISLEAD THE READER AND NOT TO GIVE THE COMPLETE PICTURE.

THE SECOND EXAMPLE WHICH SAYS THAT A 900 CLOCK HOUR PROGRAM THAT WAS MADE INTO 48 SEMESTER HOURS THUS BEING QUALIFIED AS TWO

ACADEMIC YEARS. THERE IS NO QUESTION THAT THIS CAN BE ACCOMPLISHED. HOWEVER, A NUMBER OF RELEVANT FACTS ARE MISSING FROM THIS EXAMPLE. 1. A STUDENT CAN ONLY RECEIVE ONE PELL GRANT DURING A CALENDAR YEAR THAT BEGINS ON JULY 1 AND ENDS ON JUNE 30. THEREFORE, IN ORDER TO RECEIVE TWO GRANTS THE PROGRAM HAD TO BE SIGNIFICANTLY MODIFIED. THE BEST ASSUMPTION IS THAT THE NUMBER OF CONTACT HOURS THAT THE STUDENT WENT TO SCHOOL PER WEEK WAS PROBABLY REDUCED FROM SOMETHING IN EXCESS OF 24 HOURS PER WEEK TO 12 HOURS A WEEK. THIS WOULD MEAN THAT THE COURSE WOULD HAVE TO BE INCREASED FROM A MAXIMUM OF APPROXIMATELY 38 WEEKS IN LENGTH TO 76 WEEKS IN LENGTH. CERTAIN THINGS CAN BE KNOWN FOR SURE, THE CHANGE IN RENT EXPENSE AND OTHER FIXED OVERHEAD ITEMS WOULD HAVE TO DOUBLE. THERE WOULD BE SOME INCREASE IN TEACHERS SALARIES UNLESS ALL TEACHERS ARE PART-TIME WHICH IS HIGHLY UNLIKELY. ANOTHER FACTOR IS THAT THE RETENTION IN THIS PROGRAM WILL BE SIGNIFICANTLY REDUCED IF YOU MAKE THIS TYPE OF CHANGE. THE RESULT OF THIS CHANGE IS THAT THE INSTITUTION WILL NOT COLLECT TWO FULL PELL GRANTS AND STAFFORD LOANS ON ALL STUDENTS. THE PROBLEMS THAT THIS INSTITUTION WILL HAVE MAY BE JUST BEGINNING. OTHER QUESTIONS WHICH NEED TO BE ASKED OR CLARIFIED ARE WHY WAS THE PROGRAM CHANGED, WERE THERE GOOD AND VALID REASONS FOR THE CHANGE. IT MIGHT HAVE BEEN BECAUSE OF COMPETITVE CONDITIONS THAT REQUIRED THE SWITCH. IT COULD HAVE BEEN THAT COSTS HAD RISEN TO A POINT THAT REQUIRED A TOTAL REVAMPING OF THE PROGRAM. AS CAN BE SEEN FROM A CURSORY EXAMINATION OF THE TWO CASES WHICH THE DEPARTMENT BELIEVES TO BE ABUSES OF THE SYSTEM THAT THE DEPARTMENT HAS OMITTED SIGNIFICANT INFORMATION THAT MIGHT CAUSE THE READER TO COME TO A DIFFERENT CONCLUSION IF HE KNEW MORE ABOUT THE SCHOOL INVOLVED. NOWHERE IN EITHER EXAMPLE IS THE CONSIDERATION OF WHETHER OR NOT THE SCHOOL PROVIDED QUALITY EDUCATION OR DID IT HAVE SIGNIFICANT PLACEMENT SUCCESS. DID THE GRADUATES GET JOBS. WHAT THE DEPARTMENT OF EDUCATION IS DOING IS REACTING TO THE ADMINISTRATION'S BUDGET PROBLEMS AND THE FACT THAT IT IS EASY TO GET SUPPORT FOR CHANGES WHICH AFFECT THE FOR PROFIT SECTION OF THE EDUCATION COMMUNITY. WE ACKNOWLEDGE AND DEPLORE THE FACT THAT WE HAVE HAD A FEW UNETHICAL OPERATIONS IN OUR SECTOR BUT THAT IS NO REASON TO PUNISH EVERYONE FOR THE VIOLATIONS AND ABUSES OF A FEW, ESPECIALLY THE STUDENTS IN OUR SECTOR.

3. STUDENTS SERVED- AS THE CLOSING SEGMENT OF OUR LETTER WE BELIEVE THAT IT IS IMPORTANT THAT THE ISSUE OF THE STUDENT POPULATION THAT IS SERVED BY VOCATIONAL SCHOOLS BE DEFINED AND EXAMINED IN LIGHT OF THE CRITICISM THAT THEY RECEIVE. OUR STUDENTS HAVE GENERALLY BEEN FAILED BY THE PUBLIC SCHOOL SYSTEM. THEY DO NOT HAVE A HISTORY OF SUCCESS IN THE PUBLIC EDUCATIONAL PROCESS AND IN FACT DO NOT HAVE MUCH OF A HISTORY AT ALL WITH BEING SUCCESSFUL. THEY COME MOSTLY FROM THE LOWER SOCIO-ECONOMIC SECTOR OF OUR SOCIETY WITH LITTLE HOPE OF CLIMBING THE SOCIO-ECONOMIC LADDER OF SUCCESS. IT IS OUR JOB TO GIVE THEM THIS OPPORTUNITY, OUR JOB TO HELP THEM BREAK THE CYCLE. OUR STUDENTS ARE GENERALLY NOT QUALIFIED TO GO TO A TRADITIONAL COLLEGE. THIS IS CAUSED BY TWO REASONS: 1)THEY DO NOT HAVE THE EDUCATIONAL BACKGROUND TO QUALIFY FOR ENTRANCE IN A TRADITIONAL COLLEGE AND 2) THEY DO NOT SEE THEMSELVES AS "BELONGING" IN THE TRADITIONAL

COLLEGE SETTING. THEY BELIEVE THAT THEY WOULD FAIL BECAUSE THEY BELIEVE THAT DO NOT FIT IN. THESE STUDENTS ARE GENERALLY VERY POOR AND DO NOT HAVE THE SAME FEELING ABOUT DEBT THAT MIDDLE AMERICA DOES. THEY TEND TO HAVE MORE CRISIS IN THEIR LIVES THAN WE HAVE EVER DREAMED OF. MANY OF THE STUDENTS ARE UNWED MOTHERS WHO ARE ON SOME SORT OF WELFARE AND ARE TRYING TO BREAK THE POVERTY CYCLE. IT IS OUR OPINION THAT THESE ARE PRECISELY THE STUDENTS WHO NEED THE MOST HELP FROM OUR GOVERNMENT BECAUSE WITHOUT JOBS THESE STUDENTS EITHER STAY ON WELFARE OR HAVE A TENDENCY TO BECOME INVOLVED IN CRIME AND DRUGS. IN MANY CASES WE ARE THE ONLY HOPE FOR THESE STUDENTS. WE DO NOT SUCCEED WITH ALL OF THESE STUDENTS, HOWEVER IF WE ONLY SUCCEEDED WITH 40-50% OF THESE STUDENTS THEN WE BELIEVE SOCIETY WOULD BE JUSTLY SERVED BY THE EXPENDITURE OF FUNDS.

YOURS VERY TRULY,

David Barton

DAVID W. BARTON, PRESIDENT
COMMONWEALTH EDUCATIONAL SYSTEMS, INC.

LETTER TO THE HONORABLE JAIME B. FUSTER

COMMONWEALTH
EDUCATIONAL
SYSTEMS INC.

OCTOBER 31, 1990

HONORABLE JAIME B. FUSTER
RESIDENT COMMISSIONER
UNITED STATES HOUSE OF REPRESENTATIVES
SAN JUAN, PUERTO RICO

DEAR MR. FUSTER:

THIS LETTER ACCOMPANIES OUR RESPONSE TO A PROPOSED RULE BY THE U.S. DEPARTMENT OF EDUCATION (COPY OF PROPOSED RULE AND OUR RESPONSE ATTACHED). WE REPRESENT THE MANAGEMENT OF INSTITUTO DE BANCA, COASTAL TRAINING INSTITUTE AND AUTOMECA TECHNICAL COLLEGE. OUR INSTITUTIONS SERVE OVER 10,000 STUDENTS IN VARIOUS VOCATIONAL AREAS AT TWELVE CAMPUSES LOCATED IN PUERTO RICO. WE HAVE OVER 850 EMPLOYEES WITH AN ANNUAL PAYROLL OF APPROXIMATELY $14,000,000. WE REPRESENT ONLY A SMALL PORTION OF THE VOCATIONAL SCHOOLS ON THE ISLAND AND AS YOU CAN SEE WE MAKE A REASONABLY SIGNIFICANT IMPACT ON THE ECONOMY OF THE TOWNS AND CITIES WE SERVE. HOWEVER, THE EFFECT ON OUR SCHOOLS OF THIS PROPOSED RULE IS BUT A PART OF THE PROBLEM. IN PUERTO RICO, THERE IS A SIGNIFICANT NEED FOR THE TRAINING OF OUR YOUTH, ESPECIALLY THE ECONOMICALLY AND SOCIALLY DISADVANTAGED SEGMENT OF OUR SOCIETY. THESE STUDENTS ARE THE ONES THAT WILL BE ADVERSELY AFFECTED BY THIS PROPOSED RULE. THE EFFECT IS THAT MANY SUCCESSFUL PROGRAMS OF STUDY WILL NOT QUALIFY FOR GRANTS AND LOANS IF THIS PROPOSED RULE IS ALLOWED TO STAND AS IS. THE IMPACT ON THE GRANTS THAT THE STUDENTS WOULD BE ALLOWED TO RECEIVE IN OUR SCHOOLS ALONE WOULD BE IN EXCESS OF $10,000,000. WE ONLY REPRESENT THREE OF OVER 500 PRIVATE SCHOOLS LICENSED BY INSTRUCCION PUBLICA. THEREFORE, YOU CAN SEE THE FAR REACHING EFFECT OF THIS PROPOSED RULE ON OUR STUDENTS AND THE EFFECT OF THE ECONOMY OF PUERTO RICO. WE ESTIMATE THAT AS MUCH AS $300,000,000 IN PELL GRANTS FOR THE ISLAND ARE AFFECTED.

AS YOU KNOW, THE UNEDUCATED AND UNTRAINED LOW INCOME SEGMENT OF SOCIETY IS A BREEDING GROUND FOR CRIME AND VIOLENCE. WITHOUT OUR TYPE OF SCHOOL THESE POTENTIAL STUDENTS DO NOT HAVE SUFFICIENT OPPORTUNITIES TO BETTER THEMSELVES AND BECOME CONTRIBUTING MEMBERS OF SOCIETY RATHER THAN A NUMBER IN THE CRIME STATISTICS. FOR THIS REASON AND THE REASONS STATED ABOVE, WE ASK THAT YOU PLEASE READ OUR RESPONSE TO THE PROPOSED RULE. IF YOU AGREE, PLEASE SUPPORT OUR POSITION. WE BELIEVE SUPPORT FOR OUR POSITION IS SUPPORT FOR THE FREE ENTERPRISE SYSTEM AND THE PHILOSOPHY THAT

ALL MEMBERS OF SOCIETY SHOULD BE TREATED FAIRLY AND EQUALLY. NOT ALL STUDENTS ARE SUITED TO BE TRADITIONAL COLLEGE GRADUATES, BUT THEY DESERVE THE SAME OPPORTUNITIES. OUR INSTITUTIONS GIVE THEM THOSE OPPORTUNITIES, BUT WE NEED YOUR HELP TO INSURE THAT THE U. S. DEPARTMENT OF EDUCATION DOES NOT TREAT THESE STUDENTS AS SECOND CLASS CITIZENS SIMPLY BECAUSE THEY ARE NOT TRADITIONAL COLLEGE STUDENTS. WE BELIEVE THIS IS NOT THE MESSAGE THAT SHOULD BE SENT TO OUR STUDENTS.

THANK YOU FOR YOUR CONSIDERATION IN THIS MATTER. WE WOULD BE PLEASED TO MEET WITH YOU TO FURTHER DISCUSS THIS MATTER IF YOU SHOULD DESIRE.

YOURS VERY TRULY,

DAVID H. BARTON, PRESIDENT
INSTITUTO DE BANCA
COASTAL TRAINING INSTITUTE

Fidel Alonso Valls.
FIDEL ALONSO VALLS, CHAIRMAN
INSTITUTO DE BANCA
COASTAL TRAINING INSTITUTE

HECTOR L. ORTIZ, CHAIRMAN
AUTOMECA TECHNICAL COLLEGE

ADVERTISEMENT - THE DAY THE EARTH STOOD STILL

THE DAY THE EARTH STOOD STILL.

6:30 a.m. No lights, no heat, no food. 6:37 a.m. No water in the shower. 7:20 a.m. Car won't start and the phone's dead. 7:30 a.m. No bus at the corner. 9:30 a.m. Nobody at work. The doors are locked and everyone's gone.

Electricians, mechanics, computer operators, medical technicians, secretaries. What would life be like without private career colleges and trade schools and the people they educate? When you think about it, our everyday life and our businesses pretty much depend on them.

The fact is, our workplace is changing. Today three out of four jobs require specific skills, and private career colleges and trade schools are where many workers get them.

Employers have come to depend on private career colleges and trade schools to fill their ongoing demand for high-quality, skilled labor. And that demand is growing as technology becomes more complex. Consider this — of the 1,million students who will graduate from private career schools this year, over 80 percent will immediately find jobs in their chosen career. That's because private career college and trade school graduates are the essential resource that's keeping a lot of American business in business.

And there's something else. For many unskilled Americans, private career colleges and trade schools — together with student financial aid — offer the best hope of moving forward. To a good job. With a future.

So whether the issue is giving one person the ability to break into a new career. . .or helping employers to break into new markets, more and more people are coming to realize that we *all* have a stake in America's private career colleges and trade schools.

PRIVATE CAREER COLLEGES AND TRADE SCHOOLS
Because America's Skills are America's Future

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LETTERS FROM COMPANIES WHO EMPLOY OUR GRADUATES

CNA CASUALTY OF PUERTO RICO
MANUFACTURERS TRUST INSURANCE COMPANY
WHOLLY OWNED SUBSIDIARIES OF VICTOR J. SALGADO & ASSOCIATES, INC.

---

18 de enero de 1991

Sr. Fidel Alonso
Presidente
Junta de Directores
Instituto de Banca
Ave. Muñoz Rivera #996
Río Piedras, P.R. 00927

Sr. Alonso:

Sirva la presente para expresar nuestro agradecimiento en relación a los servicios que hemos recibido de la **Oficina de Colocaciones** del **Instituto de Banca**, Recinto de **Río Piedras**.

La oficina rinde un servicio rápido cada vez que se le es requerido el servicio de posibles candidatos a plazas disponibles en nuestra Compañía. A su vez, nos ofrece un escogido de jóvenes con mucha disposición al trabajo.

Allison L. Camacho
Departamento de Personal

AL

CNA

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Pall Puerto Rico Facilities
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Phone 809-863-1124

Mailing Address:
P.O. Box 729
Fajardo, Puerto Rico 00648

January 16, 1991

Mr. Dave Barton
President
Coastal Training Institute
205 Muñoz Rivera
Fajardo, Puerto Rico 00648

Dear Mr. Barton:

Coastal Training Institute has been offering to the community of Fajardo, both private and the industrial sector, a series of educational courses much needed in this area.

The service they have been giving has been very good.

Sincerely yours,

José A. Rivera Gutiérrez
Director of Personnel

JARG/nm

ROCHE PRODUCTS INC.

[illegible]
[illegible]

[illegible]
[illegible]

January 17, 1991

Mr. Dave Barton
President
Grupo Educativo I, Banca
Ave. Muñoz Rivera 996
Rio Piedras, P.R. 00924

Dear Mr. Barton:

It is with great pleasure that we congrulate you, and the institution you represent, for the excellency in education of the Coastal Trainning Institute, Manati Campus. In the past three years there has been a great impact of your alumni in the local banking, industry and commerce.

Our company, a pharmaceutical, has benefited of your graduates, specially those involved in electronics and computer sciences. You are helping us in the attaining of one of our main goals, the professional improvement of all of our associates.

We wish you the best success in your future endeavors.

Sincerely,

Carlos E. Máter, M.D.
Medical Director

Abraham Martínez Pérez, M.D.
MEDICINA INTERNA
BOX 12003 • CAPARRA HEIGHTS STATION 00922-2003

14 de enero de 1991

Sr. Fidel Alonso Valle
Presidente
Junta de Directores
Grupo Educación y Banca
Avenida Muñoz Rivera 996
Rio Piedras, Puerto Rico 00925

Estimado señor Alonso:

Deseamos expresarle al Coastal Training Intitute, recinto de Manatí, nuestra satisfacción por los servicios ofrecidos de esa institución a nuestra oficina, a través de los estudiantes graduados. Exhortamos al Coastal a que continue con esa labor educativa.

Atentamente,

Abraham Martínez Pérez, M.D.

gmc

KSI
SHADING SYSTEMS INC.

January 16, 1991

Mr. Dave Barton
President
Costal Training Institute
205 Muñoz Rivera
Fajardo, Puerto Rico 00648

Dear Mr. Barton:

By these means we wish to inform that Costal Training Institute is an educational firm that is, and has been, preparing personnel inorder to get a better employment.

I personnally have used the services of Costal Training Institute inquiring for a secretary; and have found that they are well prepared.

One suggestion I would like to make is that the english language be included in the secretarial course as it is a demand in the majority of the manufacturing companies.

If you have any questions, please do not hesitate to contact the undersigned.

Regards,

Israel Gerena
Vice President

IG/mr

P.O. Box 827 • Fajardo, Puerto Rico 00648 • (800) 528-9010 • (809) 863-1820 • Fax (809) 860-2122
ES MÁS FRESCO EN LA SOMBRA

ALLEN GROUP
THE
ALLEN GROUP
PUERTO RICO
INC.

January 16, 1991

Mr. Dave Barton
President
Coastal Trainning Institute
Fajardo, P.R. 00648

Dear Mr. Barton:

I am please to inform you that the students who worked for our company, have performed very well in the areas they were assigned.

We appreciate your interest for our industry, and we will continue to sponsor your programs and your students.

Sincerely,

Adrián N. Escalera
Personnel Manager

:cb

The Allen Group Puerto Rico Inc. Industrial Subdivision Km. 45.6 Road No. 3, P.O. Box 1073, Fajardo, Puerto Rico 00648
Telephone (809) 863-3200 and 863-3100

BANCO
COMERCIAL
DE MAYAGUEZ

17 de enero de 1991

Sr. Fidel Alonso
Presidente Junta de Directores
Instituto de Banca
Ave. Muñoz Rivera #996
Río Piedras, PR 00927

Estimado señor Alonso:

Deseamos reconocer el esfuerzo y aportación que realiza el Instituto de Banca, en desarrollar los futuros profesionales de Puerto Rico.

Nuestro Banco, conoce la calidad de sus egresados por lo que el Instituto de Banca figura en nuestras fuentes de reclutamiento.

Le exhortamos a continuar brindando el servicio de excelencia acostumbrada.

Cordialmente,

Sari T. Biaggi

Sari T. Biaggi
Asistente de Recursos Humanos

SB/rd

G.P.O. BOX 4745 * SAN JUAN, PUERTO RICO 00936 * GRUPO BANCO BILBAO-VIZCAYA, ESPAÑA
TELEX 325-2024 * FAX 722-2831, 757-1325 * TEL. 724-3717

Cooperativa de ahorro y crédito
DR. MANUEL ZENO GANDIA
LOCAL NUM 6 • BERWIND SHOPPING CENTER • RIO PIEDRAS, P.R. 00924 • TELS. 752-9010, 752-9019

16 de enero de 1991

Sr. Fidel Alonso Valls
Presidente
Junta de Directores
Instituto de Banca
Hato Rey, Puerto Rico 00936

Estimado señor Alonso Valls:

Nuestra oficina ha utilizado por varios años, los servicios de la oficina de empleos, Recinto de San Juan del Instituto que usted preside. Deseamos expresar nuestro agradecimiento por la cortesía, eficiencia y prontitud con que siempre se ha atendido nuestras peticiones por parte del personal de esa oficina. De igual forma le significamos nuestro reconocimiento a la calidad del personal que hemos reclutado.

Confiamos en poder continuar utilizando sus servicios y de igual forma servir de fuente de empleo para egresados del Instituto.

Cordialmente,

Norma I. Santana
Oficial de Operaciones

CADA CUENTA ASEGURADA HASTA $40.000.00 POR UNA AGENCIA DEL GOBIERNO (PROSAD-COOP)

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15 de enero de 1991

Sr. Fidel Alonso Valls
Presidente
Junta De Directores
Grupo Educativo I Banca
Ave. Muñoz Rivera 996
Río Piedras PR

Estimado señor Alonso:

Deseamos indicarle lo contento que estamos con la labor realizada con los estudiantes graduados del Costal Training Institute recinto de Manatí.

Aprovechamos la oportunidad para sugerirle que continúen preparando sus estudiantes en el campo de la banca.

Siempre a sus ordenes.

Cordialmente,

Fèlix Luis Muñiz Rosario
Administrador

ERB

I. S. TECHNOLOGY DE PUERTO RICO, INC.

15 de enero de 1991

Sr. Fidel Alonso Valls
Presidente
Instituto de Banca
Cayey, Puerto Rico 00634

Estimado Sr. Alonso:

Deseo expresarle nuestro agradecimiento a usted y su oficina de empleo por la cooperación brindada a nuestra empresa en el referido de candidatos altamente calificados en el área de Técnicos en Electronica.

Gracias a su aportación llenamos dos posiciones en nuestra empresa con estudiantes de su institución.

Les deseamos éxito en el nuevo año y les exhortamos a continuar con su excelente labor.

Estamos a su disposición para cualquier ayuda que le podamos brindar en nuestra empresa.

Atentamente,

Hilda C. Díaz
Hilda C. Díaz
Asistente de Recursos Humanos

P.O.BOX 1810 - CAYEY, PUERTO RICO 00634 – TELEFONOS (809) 738-4283 / 4284 - FAX (809) 721-3333 / 6803

"Technology And Quality From People Who Care"

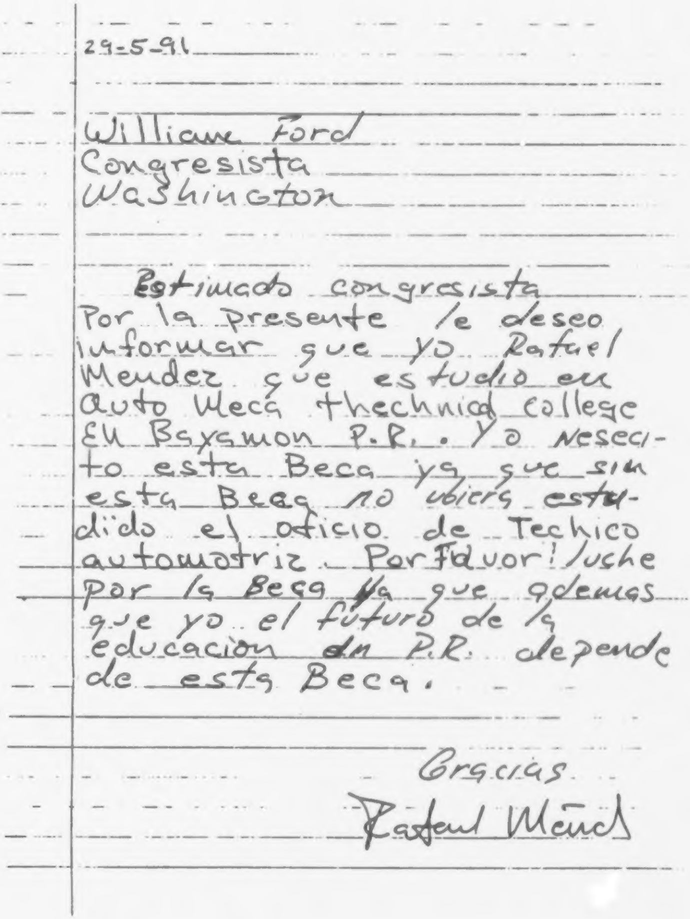
LETTERS FROM OUR STUDENTS

30 -5- 91

Estimado sr. Willian ford (Congresista

Yo Marcial Fuentes Pabón Me siento Muy Satisfecho y con una Aprendisaje Muy Adelantado Grasias Ala Ayuda de la beca Perll que nos fasilita los estudios en Automeca Tenical colegh el curso de Diesel

Muy Atentamente
Marcial Fuentes Pabón
MARCIAL FUENTES Pabón
Estudiante



29-5-91

William Ford
Congresista
Washington

Estimado congresista
Por la presente le deseo informar que yo Rafael Mendez que estudio en Auto Meca thechnical college En Bayamon P.R. Yo nesecito esta Beca ya que sin esta Beca no ubiera estudiado el oficio de Techico automotriz. Por Favor! luche por la Beca ya que ademas que yo el futuro de la educacion en P.R. depende de esta Beca.

Gracias
Rafael Mend

29- mayo 1991

A: Sr. William Ford
Asunto: Beca Pell Grant

Estimado Sr. Conquecista actualmente estoy matriculado en Auto Meca Technical Cologe Bayamon en el curso de Fuel Injection gracia a la Pell Grant. A pesar de adquirir dicha beca se me dificulta el seguir el curso, aparte que soy casado con dos niños tambien porque no puedo costear algunos libro que aunque la escuela no los exige se me haria mas facil con un manual para el estudiante. Esto significa Sr. Ford que aparte de su politica o la politica envuelta en el asunto de eliminar la "beca" se debe considerar no a mi, si no a los miles de futuros estudiantes que se verian perjudicados.

De buena fe espero que
haga lo correcto
Att

(AV)

Luis A. Roque Rodriguez.
S. 583-03-0874

1- Recibó la Beca Pell Grant desde enero de 1991 y está me ha ayudado en mis aspiraciones, ya que con los estudios de mecanica avanzada que estoy tomando en el Col. Automeca de Caguas, pienso en el futuro tener mi propio taller, con el cual podre tener un mejor salario y unos conocimientos que sin la ayuda de dicha Beca, no tendria los recursos para sufragar los gastos.

- Los estudios que llevo acabo en automeca me han ayudado mentalmente y fisicamente.'

Luis A. Roque Rodriguez.

dirigido al.
Congresista.
Ford.

Nombre: Carlos González Soto
S.S. : 581-19-1220

Bueno yo entiendo que con la ayuda de la Beca Pell Grant me a hayudado a adquirir unos nuevos entendimientos y conocimientos que estoy adquiriendo en el Colegio Auto Meca Tecnical College. Los cuales me han a ayudar en el mañana y hasta en el presente por que a traves de entendimiento que é adquirido ya lo llevo a cabo en mi trabajos personales de mecanica y que cada dia me lleno de nuevos conocimiento. Si no fuese por la Beca Pell Grant no lo huviera podido lograr pues mis recursos son limitados y mis padres no lo podrian costear. Gracias a hustes por este benificio y espero qu nunca lo limiten pues hay muchos que lo necesitamos y le sacamos el mejor provecho. Dia a Dia mis conocimi son mas aplios en Auto Meca Tecnical Colle

Dirigida
Congresista.
Ford

EST COPY AVAILABLE

Angel A Santos 584-19-1643

A quien Pueda Interesar:

Gracias a la Beca Pell pued adquirir en estos 4 semestres los conocimientos Basicos sobre la mecanica del automobil. En el primer semestre trabaje en reparaciones de motores tanto 4 cilindros, 6 y 8 cilindros. aprendi los 4 tiempos del motor. En el segundo semestre aprendi a reparar cajas de guia. rack and pinion y sistema de Clutch plato depresion y collarin. En el tercer semestre aprendi a reparar todo el tren delantero y a trabajar con el area de alineamiento del vehiculo. En el 4to semestre aprendi el sistema electrico de automobil. De no haber obtenido la Beca Pell no hubiese podido estudiar. Espero que el sistema de Becas federal perdure por muchos años para beneficio de la clase pobre de Puerto Rico.

Para el Congresista Ford
De Si Angel A Santos

JORGE L. NIEVES CORTES 05/29/91
582-68-4885

Yo Jorge L. Nieves estoy muy agradecido a la beca Pell y le doy las gracias por haberme ayudado economicamente, porque si no hubiera sido por la Pell yo NO estuviera estudiando aquí o en cualquier otra institución con mi propia contribuciones.

He aprendido bastante y sigo aprendiendo mas y preparandome para mi futuro Gracias a la Pell.

Jorge L. Nieves

Jose M Aponte Acevedo 583-51-1392

Congresista Ford

En mi caso yo habia utilizadola Bca Pell grant en la Universidad Turabo y estuve 2años utilizandola y me ayudo y que tuve un empleo con los creditos obtenidos. luego me case y lo deje pero en diciembre del 1990 me desidi a estudias en Automeca Techinal Collegе ya que estoy interaso en tener licencia de Tecnica automotiz para poder hacerme cargo de un Taller de Mecanica segun la ley lo consive. Yo espero y me esta esforsando para obtener en el futuro un buen porvenir. Me siento muy agradecido por que estoy resiviendo los benefisios de la beca. Grasias de Todo Corazon.

5-29-91

Congresista William Ford
Washington D-C

Deseo comunicarle con mucha satisfacción que tuve la oportunidad de estudiar con la beca Pell Grand en Automeca Technical College de Bayamón el curso de tecnologia de Transmisiones Automaticas. De no haber podido estudiar con la beca hoy en dia no hubiese tenido el privilegio de desempeñarme como profesor en dicha institución.
Gracias por la ayuda economica que envian a Puerto Rico con el fin de promover la enseñanza automotriz.

Att- José Rosado
José Rosado
Profesor

BEST COPY AVAILABLE

[illegible]

5/30/81

Conquista

Sr: William Ford

En estas Cortas lineas le comunico que Mi persona a estudiado Varias Veces en Colegios Con la Beca Pell en Varias Veces Me ha Convenido Porque Soy una persona de Escasos Recursos y si No fuera Por la Veca Me fuera imp. estudiar y estoy Muy Contento de estar estudiando en auto Mesa tecnical College y Con Mucho Gusto

att:
Antonio Rosario

Mr. **Andrews**. Thank you very, very much, Mr. Barton.

Our final witness on this panel is Mr. Barry Busada, Vice President of the Diesel Driving Academy, Inc. in Shreveport, Louisiana.

STATEMENT OF G. BARRY BUSADA, DIESEL DRIVING ACADEMY, INC., SHREVEPORT, LOUISIANA

Mr. **Busada**. Chairman Andrews, members of the subcommittee and subcommittee staff, I would like to introduce myself as Barry Busada and tell you just a little bit about our school, Diesel Driving Academy. We operate commercial truck driving schools in the States of Louisiana, Arkansas, Mississippi, Alabama and Tennessee.

I would like to also let you know that today I am representing the Association of Certified Trucking Schools, which I will call ACTS for short. These schools are schools that have gone beyond accreditation. They are all accredited, but they have taken a voluntary step to have their courses certified by the Professional Truck Drivers' Institute of America. This institution was started and setup by the trucking industry itself, along with its insurance carriers and a number of other trade associations that are related to the trucking industry.

Our schools believe that Pell Grant eligibility should be extended to so-called short courses. When I say short course, I am referring, of course, to the courses that are less than 600 hours in duration. We believe that policy should not discriminate against vocational training. When you eliminate courses less than 600 hours, that is exactly what you are talking about doing. We believe the focus instead should be the quality of the courses and not on the duration of them. For instance, the 300 hour training courses which our schools offer is recognized and acceptable to the Department of Transportation, the Federal Highways Administration, the Professional Truck Drivers' Institute of America, as well as the trucking industry itself.

Our student can typically be described as someone who is over 30 years old, many of whom come from minority backgrounds and they are people that need to get back into the workforce quickly. They are not 18- or 19-year-olds living at home with mom and dad. In many cases, they are mommy and daddy themselves. They need to get back into the workforce and become taxpayers again and put food on the table. We can accomplish this through our short-term courses in truck driving.

Our schools all have in common high completion rates. We also have very high placement rates, typically over 90 percent. It is ironic that the administration—in fact, it is sad that the administration will propose eliminating any school that has courses less than 600 hours from participating in Federal financial aid at all, much less Pell Grants.

This leads me to ask the question: Why 600 hours? What is so magical about this number, 600 hours? How does it insure quality education? We think we have a model that could possibly be a solution to this problem. That is the PDIE model, where the focus is on the program and its curriculum and the equipment used to train students, not how long the course is, but how good is it.

We obviously meet a demand in the trucking industry. There is a need for over 350,000 drivers a year in this country. That is estimated to continue like that each year through the turn of the century. They start out at very high salaries. Generally speaking, it is $24,000 a year plus benefits. So we are training for real jobs and for an industry that needs these people as employees. They need them highly trained and they need them safety conscious also.

In conclusion, I think what I am talking to you today about is fairness and quality. I think it can be solved with those two words. Fairness, in that we shouldn't discriminate against students attending short courses in vocational training. And quality, because, obviously, we need to tie any expenditure of Federal money to quality, and we all seek quality education.

We think that is what certification by a third party, an industry, private enterprise source, can do for the educational system. We believe that such certification in conjunction with accreditation can provide the types of assurances that would allow Federal Pell Grant money to be expended in both the socially acceptable as well as a cost-effective manner. However, should Congress decide not to place greater reliance on Pell Grants vis-a-vis the student loan programs, there are a number of other serious issues in that student loan program that are of great concern to ACTS' members. We would refer you, the committee, to our submission to the subcommittee on April 8, 1991, and would ask that that be included in the hearing records. We think that that will provide some further details on our positions on the program as a whole.

In conclusion, I think you realize the importance of a quality vocational education. We look forward to working with the members of the subcommittee and your staff to insure that vocational education is indeed a viable option for all Americans in the future. I would be very happy to answer any questions that any of you might have.

Thank you for this opportunity to speak today.

Mr. ANDREWS. Thank you very, very much.

The written statement that you submitted will be, without objection, entered into the record.

Mr. BUSADA. Thank you.

[The prepared statement of G. Barry Busada follows:]

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON EDUCATION AND LABOR

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

STATEMENT OF THE
ASSOCIATION OF CERTIFIED TRUCKING SCHOOLS

**Reauthorization of the
Higher Education Act**

**G. Barry Busada
Diesel Driving Academy, Inc.**

June 5, 1991

STATEMENT OF G. BARRY BUSADA

Introduction

Mr. Chairman, Subcommittee Members, and Subcommittee staff, my name is G. Barry Busada, and I am Vice President of Diesel Driving Academy, Inc., which operates commercial truck driver training schools in the States of Alabama, Arkansas, Louisiana, Mississippi, and Tennessee. I am appearing here today on behalf of the Association of Certified Trucking Schools, better known as "ACTS", to discuss the eligibility for Pell grants of so-called "short courses" offered by vocational training schools. "Short courses" are generally considered to be those that are 600 clock hours or less in length.

ACTS currently consists of seven schools, with various training sites around the country. All members of ACTS have been accredited by a nationally-recognized accrediting body. They have also taken the additional step of having their course content and method of training evaluated and certified by an independent industry-sponsored body, the Professional Truck Driver Institute of America, Inc. ("PTDIA"). Unlike accrediting agencies, which are financially supported by the schools they review and focus on an institution's business practices, PTDIA conducts a rigorous on-site inspection of the physical plants of the training schools and evaluates curricula content to determine that students receive adequate training and have a reasonable prospect of getting a job upon graduation.

PTDIA was established in 1985 by a broad-based coalition of trucking companies, insurance companies, drivers, equipment and component manufacturers and suppliers, private carriers, and related trade associations. PTDIA was established in response to a perceived need on the part of the trucking industry to ensure quality entry-level commercial driver training. PTDIA has developed a comprehensive program for evaluating commercial driver training courses based on objective criteria. The criteria used by PTDIA were established in consultation with all segments of the trucking industry, and are based on model curricula and driver training materials developed by the Federal Highway Administration. The Federal Trade Commission has recognized PTDIA certification in one of its recent Consumer Action Alerts directed to prospective truck driver training school students. Currently, courses at 44 schools in 23 states have been certified.

Pell Grant Eligibility

ACTS believes that all students, whether they attend a college of higher education or a vocational trade school, should be eligible for Pell grants, subject only to reasonable requirements relating to financial need. ACTS believes that students attending vocational trade schools offering short courses should have the same legal right to access Pell grants as students attending other types of schools. Thus, no distinctions with regard to eligibility should be made merely on the basis of the type of school attended or length of course alone. To do so would automatically exclude a significant segment of the population from taking advantage of continuing education. Rather than singling out vocational trade schools for exclusion, Congress should refocus its efforts to ensure that each student receives a quality and useful education, regardless of the type of school attended, the subject studied, or the length of the course in which he or she is enrolled. That is, the student should not graduate without being prepared for his or her chosen profession, nor should he or she be trained for a career which does not exist.

Financial assistance such as Pell grants is critical to enabling students to attend many vocational schools, including the typical ACTS school. The typical ACTS school offers a PTDIA-certified short course of 300 clock hours. However, all PTDIA-certified schools meet the Department of Transportation's requirements for 300 course hours. The approximately 147.5 student clock hours of training required by PTDIA is the recognized benchmark for quality in the truck driver training industry.

The average student of an ACTS school is in his or her 30's, has a family, and is unemployed or under-employed. The student is often a member of a minority group. Family financial obligations often make a student's attendance at school difficult, if not impossible, without federal financial assistance. The student's employment and family status also make it virtually impossible for the student to commit to courses of more than 600 clock hours. Requiring attendance at courses of such long duration will likely result in higher drop-out rates for all of the foregoing reasons, if not for lack of interest.

There are other reasons why Pell grants should be made available to students attending short-course vocational trade schools. Short term vocational courses offered in an industry where there is a true prospect for a job will allow an unemployed student to enter the work force sooner, and will allow an under-employed student better access to a higher-paying position. In the case of the typical ACTS school, approximately 80-85% of the students graduate and approximately 80-90% of those graduates are placed in jobs which pay an annual starting salary of about $24,000 - $26,000, plus full benefits.

Clearly, the sooner these students are able to enter the work force, the sooner they can contribute to society as tax-paying citizens. It is obvious that over time these new workers (which include ability-to-benefit students in the same graduation/placement proportion) will more than pay back in taxes the cost of the Pell grants expended for their vocational training. Quickly turning students into tax-paying citizens through fair, non-discriminatory access to Pell grants is a much more desirable result than having to deal with all of the excessive cost and other complications of student loans; that is, defaults, lender-of-last resort problems, loan servicing problems, interest subsidies to lenders, and other difficulties which have already been explored by this Subcommittee.

Unfortunately, we now see attempts to exclude students who choose to attend short courses (which are mostly offered by vocational trade schools) from Pell grant eligibility. We believe that the true goal of the Administration's proposal to limit Pell grant eligibility to 600-hour courses is to exclude vocational trade school students. This would be counter-productive for several reasons.

Aside from the fact that the 600-hour limit is totally arbitrary and inherently discriminatory, it may very well prompt many schools to extend their courses without sufficient educational justification. Worse yet, a "short course" of that length may discourage many students from attending vocational trade schools. As noted, in the case of ACTS' member schools, because of family and other financial obligations, the typical student may not be able to take the time necessary to attend such a course. Nor is the 600-hour limit sound public policy on its face. Who is to say that 600 hours automatically equals a quality education? And, why should we arbitrarily delay a student's entry into the work force when he or she can take a vocational course of shorter duration (i.e., 300 or less hours) that adequately prepares him or her for a productive, tax-paying career? As was mentioned previously, both the Federal Highway Administration and the motor carrier industry, as well as the hundreds of supporters of PTDIA, recognize that an entry-level driver can be adequately trained in far less than 600 clock hours.

This is not to say that there should be no limits on which students or short courses should be eligible for Pell grants. Reasonable need requirements are appropriate. Beyond that, ACTS suggests a solution for the Subcommittee's consideration. PTDIA course certification provides a model that could be used in other vocations to ensure that a short term course is of high quality and adequately prepares a student for a real career, such that Pell grants should be awarded regardless of course length. PTDIA course certification is a model that Congress should require all industry sectors to embrace as a means to base Pell grant eligibility on demonstrated educational value and usefulness of training for the chosen career. This approach would be far superior to unduly relying on arbitrary course length to determine Pell grant eligibility.

The Certification Concept

Unlike accreditation, which focuses principally on the business practices and financial health of an institution, PTDIA certification focuses solely on the course content, quality of instruction, quality of materials and equipment, ability of the course to meet educational objectives, and the utility of the course to the student's proposed career. While accrediting bodies generally include a "subject matter specialist" in their on-site teams that review institutions, these specialists are not generally told how to evaluate a course, nor do they use specific criteria to evaluate the course of study. Further, several accrediting bodies allow the prospective school to veto their choice of specialists. PTDIA maintains a staff of specialists who are specifically trained in evaluating the content of courses to ensure that they meet the PTDIA criteria. Through evaluation of a significant number of courses, using the same objective criteria, these specialists have developed an expertise that permits them to perform a thorough, quality audit of the courses to be certified.

The reports of PTDIA's on-site evaluators are reviewed by an independent three-member Certification Board with backgrounds in truck safety and education. All institutions that offer truck driver training courses are prohibited from making financial contributions to PTDIA in order to ensure the integrity and objectivity of the Certification Board. Each PTDIA-certified school is required to undergo a complete review and evaluation every 18 months in order to maintain its certification.

The focus of PTDIA certification on the scope, content and length of instructional components assures, to a much greater degree, that the training prepares students for success on the job. The accreditation process, as it exists today, is not focused primarily on the quality of instruction. The certification process, as established by PTDIA, offers a model that can be used in other industries to determine whether Pell grant eligibility is warranted for a course of any length.

Finally, it is reasonable to expect that Pell grant eligibility should have some demonstrated relationship to the needs of the industry for which the training is proposed. That is, it makes sense that there should be a need for the occupation in issue before federal grant monies are committed to the education of the student. For example, there is a current critical shortage of entry-level commercial vehicle drivers that is expected to continue through the end of the century. The U.S. Department of Labor has estimated that there will be a shortfall of approximately 350,000 entry-level commercial drivers per year for the next several years.

Entry-level commercial vehicle operators can expect to earn substantially more than a typical graduate of a vocational training program of comparable length. Entry-level truck drivers typically earn $24,000 - $26,000 (plus full benefits) during the first year. It is relatively common for experienced drivers for large motor carriers to earn $50,000 or more per year. The strong demand in the trucking industry for a large number of drivers, coupled with the relatively high entry-level earnings in the industry, presents a unique opportunity to create meaningful employment for what is a typically unemployed or under-employed individual who seeks training as a truck driver. Further, public safety dictates that these drivers be properly trained to handle the increasingly sophisticated equipment that is operated on the nation's highways.

Conclusion

In conclusion, ACTS believes that Congress should not focus unduly on course length (300 hours, 600 hours, etc.) when determining Pell grant eligibility. Tying Pell grant eligibility to arbitrary course lengths is inherently discriminatory. The more appropriate goal would be to put in place private-sector mechanisms that will result in Pell grant expenditures based upon assured quality and useful education to any student who attends postsecondary courses of any duration. ACTS suggests the model of PTDIA course certification in the trucking industry. Such certification, as distinguished from accreditation, can provide the types of assurances that would allow federal Pell grant funds to be expended in both a socially-acceptable and cost-effective manner.

However, should the Congress decide not to place greater reliance on Pell grants vis-a-vis student loan programs, there are a number of other serious issues within the student loan program that are of concern to ACTS members. These problems, which include discriminatory treatment of trade schools regarding access to student loan programs, lenders not meeting lender-of-last-resort obligations, lack of due diligence in loan collections by lenders, etc., and ACTS' suggested solutions are discussed in the Association's submission to the Subcommittee of April 8, 1991, which I would ask be included in the hearing record. We refer the Subcommittee to this submission for further details on ACTS' position on the reauthorization of the Higher Education Act of 1965.

Mr. Chairman, we know that you recognize from your personal experience the value of a quality vocational education. On behalf of ACTS' member institutions, I look forward to working with you, Mr. Coleman and the Members of the Subcommittee, to retain vocational education a viable option. I would be happy to answer any questions that you might have.

Collier, Shannon & Scott

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3050 K Street, N.W.
Washington, D.C. 20007

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James R. Loftis, III
John L. Wittenborn
Jeffrey L. Leiter
Michael R. Kershow
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(202) 342-8600

April 8, 1991

The Honorable William D. Ford
Chairman, Subcommittee on Postsecondary Education
Committee on Education and Labor
United States House of Representatives
2451 Rayburn House Office Building
Washington, D.C. 20515

The Honorable E. Thomas Coleman
Ranking Minority Member
Subcommittee on Postsecondary Education
Committee on Education and Labor
United States House of Representatives
2468 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Ford and Congressman Coleman:

We are pleased to provide the attached submission on behalf of the Association of Certified Trucking Schools ("ACTS") in response to your recent request of its president, James Forsythe. Your request asks for the views of interested parties on reauthorization of the Higher Education Act of 1965, as amended. 20 U.S.C. § 1070 et seq. Per the suggestion in your letter, we are providing an analysis of current law as well as suggested changes and the rationale for those changes as an attachment to this letter. The attachment is in the side-by-side legislative format as required in your request. This cover letter is intended to give an overview of ACTS' positions on the policies its suggested changes would implement.

Hon. William D. Ford
Hon. E. Thomas Coleman
April 8, 1991
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The Association of Certified Trucking Schools

ACTS is a not-for-profit corporation organized under the laws of the District of Columbia. All members of ACTS have been accredited by a nationally-recognized accrediting body. They have also taken the additional step of having the quality and usefulness of their courses to the student certified by an independent industry-sponsored body, the Professional Truck Driver Institute of America, Inc. ("PTDIA").

The PTDIA was established by a broad-based coalition of trucking companies, insurance companies, drivers, equipment and component suppliers, private carriers, and related trade associations. The Institute was established in response to a perceived need, on the part of the trucking industry, to ensure quality entry-level commercial driver training. PTDIA has established a program for evaluation of commercial driver training courses based on 107 objective criteria. The criteria used by PTDIA were established in consultation with all segments of the trucking industry, and are based on model curricula and driver training materials developed by the Federal Highway Administration. The Federal Trade Commission has recognized PTDIA certification in one of its Consumer Action Alerts directed to prospective truck driver training school students. Training institutions whose courses are certified by PTDIA are prohibited by PTDIA (unlike accrediting bodies) from financially contributing to PTDIA.

The Need for Truck Driver Training

The trucking industry today faces a critical driver shortage. The U.S. Department of Labor has estimated that there will be a shortfall of approximately 350,000 entry-level truck drivers per year through the turn of the century. As vehicles increase in both size and complexity, highway safety concerns alone mandate quality driver training.

Unlike other occupations for which vocational training is typically provided, entry-level truck drivers earn relatively good wages. A typical entry-level truck driver earns approximately $24,000 during his or her first year in the trucking industry. As they gain experience, over several years, drivers often move into much higher paying positions.

Default Rates Alone are Not an Indicator of the Quality of and Usefulness of Training

ACTS believes that the current focus on default rate calculations as an indicator, for certain institution eligibility determinations, of the quality and utility of training provided to the student is misplaced. ACTS strongly encourages the Subcommittee to consider other indicators such as an institution's graduation rates, its placement rates and the unique industry sector or occupational needs involved. ACTS also believes that the certification of the quality and utility of course curricula by an independent body created by the industry that employs the students is the best measure of the quality of the institution and the utility of the training to the student graduate.

PTDIA provides a model the Subcommittee should seek to implement for all industry sectors or occupations. The foregoing factors and others should be specifically delineated in the reauthorized statute to guide the Secretary in being able to certify the eligibility of an institution even if it may have higher default rates. In this regard, there also should not be discrimination among institutions and their students regarding the ability to have adverse cohort default rate determinations reviewed and waived as exists under current law. Under current law, some institutions are specifically exempt from the determinations of ineligibility because of their high default rates.

The foregoing reliance on indicators other than default rates for eligibility determinations is especially justified because the cohort default rate calculation currently used to determine the eligibility of an institution and its students to participate in federal student loan programs is inherently unfair. The default rate is based on the experience of students at a point in time that is several years old. At that time schools were prohibited (and still are today) from denying the eligibility of a student, even if the student stated at the outset of the training that he or she would not repay the loan.

Further, once a loan is placed in default, it remains in default (and thus on the record of the institution) even if it is subsequently repaid. One ACTS member that was successful in obtaining data regarding a portfolio of loans learned that only a small percentage of the "defaulted" loans remained in default. The vast majority of the loans that had been defaulted were actually being repaid. A recent study by the Office of Management and Budget indicates that, eventually, about 96 percent of all student loans are paid. Still other inequities which exist in relying on default rates for determining eligibility of institutions and students are discussed in the next section.

Due Diligence in Loan Collection is Being Undermined by Conflicts of Interest Resulting From Lender/Guarantee Agency Affiliations with Collection Entities

Small loans, of the type typically utilized by proprietary schools, are generally short term loans that are not profitable to service. The cost of servicing a loan does not vary substantially with its size. There is, however, a way to make these loans profitable for some lender/guarantee agencies -- that is to place them in default. If a lender/guarantee agency places a loan in default, and then assigns it to an affiliated collection agency, it receives under current law not only the interest from the loan, but 30% of the principal. ACTS firmly believes that an inherent conflict of interest exists when a lender/guarantee agency is affiliated with a collection entity and is thus able to make substantially more money on a defaulted loan than on proper servicing of the loan. The problem is especially acute with short term and smaller loans which are less profitable.

Lender/guarantee agencies are notoriously lax in their due diligence in efforts to collect loans. An all too common example from one ACTS member illustrates this point. On March 4 and 5, 1991, an ACTS member contacted the Higher Education Assistance Foundation ("HEAF") to inform HEAF of the current address, telephone number, and place of employment of a student whose loan was about to go into default. This ACTS member has a full-time default management department. The HEAF supervisor stated that they could not take the information from the school; rather, it had to come from the bank. On March 7, 1991, the ACTS member attempted to contact Citibank. The default management department informed Citibank that it had current information regarding the student. Citibank informed the ACTS member that the loan had been purchased by HEAF and that they would not accept the information. They informed the default manager that she should contact HEAF. This single, documented example is but one of a myriad of transactions in which ACTS member schools, concerned over reducing their default rates, have unsuccessfully tried to avoid defaults.

Nearly all ACTS member schools currently employ default management professionals. Because the institution is the most convenient and personalized point of reference for the loan, students often contact the institution to update information. If, as is the pattern, the banks and guarantee agencies refuse to accept the information, it is not surprising that schools will continue to have unacceptably high default rates.

Unless and until schools are given a meaningful way to assist in the management of the default problem, the default rate should not be used as the sole criteria for measuring eligibility to participate in any guaranteed student loan program. ACTS members are willing to assume an active role in default management, but they must have a meaningful way in which to participate in order to convey information regarding defaults and potential defaults to banks and secondary markets. The refusal of a bank or secondary market to take information which could avoid a default is unconscionable. These institutions should be subject to penalties if a consistent pattern of refusal to accept such information is presented to the U.S. Department of Education. Unfortunately, it seems that only the student and the school are currently penalized.

Several corrective measures should be considered for the reauthorized statute. It is suggested that the reauthorized statute strengthen the commitment to due diligence by: (a) prohibiting lender/guarantee affiliations with servicing/collection organizations; (b) prohibiting discrimination by lender/guarantee agencies with respect to short term or small loans, against types of occupations, and against types of training institutions; and (c) allowing as an additional remedy a private cause of action against the lender/guarantee agency which would permit private industry to aid in the enforcement of the due diligence requirement.

Lenders are Not Providing Loans to Otherwise Eligible Institutions in Violation of their Lender-of-Last-Resort Obligations

Proprietary schools that are otherwise eligible to participate in federal student aid programs are increasingly denied access to lenders and guarantee agencies. Over the past 12 months many lenders have simply refused to lend money to proprietary schools offering short term programs. Further, enforcement of the U.S. Department of

Education's lender-of-last-resort provisions is virtually non-existent. The Department, in fact, has blessed the blatant lender discrimination against proprietary schools and their students. When vocational training schools press the issue with lenders-of-last-resort, they are most often met with bureaucratic delay of a type that makes the lender-of-last-resort provisions meaningless.

ACTS strongly urges the Subcommittee to adopt, through the reauthorization process, a strengthened commitment to the lender-of-last-resort provisions. This would include the prevention of discrimination based upon the duration of the loan, the size of the loan, the potential occupation of the student, and the type of training institution involved. The Subcommittee should also expressly endorse a private cause of action remedy against guarantee and lender institutions (except for the Student Loan Marketing Association) in order to obtain private industry's help in enforcing lender-of-last-resort provisions. With respect to Sallie Mae, changes are suggested to ensure that that organization continues to serve as a "safety net" if all other lender/guarantor options fail. Further, ACTS urges the Subcommittee to consider proposing a statutory provision that would require lenders and guarantee agencies to maintain a portfolio mix of loans to differing types of educational institutions (at a level to be determined by the Secretary). This approach will ensure that students wishing to attend vocational training courses would not be denied the opportunity because lenders or guarantee agencies are unwilling to make or support the necessary loans. Compliance with the portfolio mix requirement could be considered prima facie proof of the lender or guarantee agency's satisfaction of its lender-of-last-resort obligations.

The Requirement that Students Must Always Have a High School Diploma, a GED or Take an ATB Test Should be Reevaluated

Current law requires either a GED or high school diploma for students to be eligible for certain student financial assistance programs such as Supplemental Student Loans. In other cases an ability-to-benefit test can be used in lieu of the GED or diploma. The need for these requirements must be realistically assessed in light of the particular industry sector or occupation involved.

A large number of students entering commercial driver training programs are not starting a career; rather, they are attempting to retrain into a different occupation or upgrade their skills. The average student is in his or her early thirties and has a family. The companies that employ entry-level truck drivers do not require a prospective employee to have either a high school diploma or a GED certificate. This level of achievement is simply unnecessary for them to successfully perform their jobs. The motor carriers that employ entry-level drivers are much more interested in whether the prospective employee can pass a physical examination as required by the Federal Motor Carrier Safety Regulations of the Federal Highway Administration, has a good driving record, and is capable of passing a commercial drivers license (i.e., CDL) examination.

Many of the students that attend vocational training programs such as those offered by ACTS members do so in order to avoid the requirement that they complete high school or obtain a GED. Indeed, many prospective students do not upgrade their skills because of the stigma attached to obtaining a GED, as well as the requirement that they undertake a course of study that includes material that they view as not relevant to the occupation that they have chosen to enter.

The Federal Motor Carrier Safety Regulations of the Federal Highway Administration do require that a driver be capable of reading and writing the English language in order to understand safety regulations, traffic signs, etc. This requirement can be, and is, satisfied through CDL tests or a generally recognized ability-to-benefit test such as the Wonderlic test. The high school diploma and GED requirement deprives many students of the ability to enter an industry in which they have substantial earning potential, and deprives an industry in great need of drivers of the benefits of their labors. This ultimately costs the government both federal and state tax revenues, unemployment benefits, and other social assistance programs.

An opportunity should also exist in the statute for specific industry training sectors or occupations to be exempted from U.S. Department of Education GED, high school diploma and/or ability-to-benefit requirements. This is especially true where the industry itself sets entry level criteria or such criteria are set pursuant to federal regulation.

Pell Grant Eligibility Should Not be Restricted

Pell Grants are currently denied to schools whose programs are under six months long. This means students of vocational and proprietary schools offering valuable training are denied financial aid which students attending the same course of training at mostly public schools are allowed to receive. The Subcommittee should take steps in reauthorization to make this critical financial aid available to all students, subject to reasonable requirements to ensure that the training received is of high quality and useful to the student.

Arbitrary Limits on Course Length Should Not Be Used to Determine Eligibility

The Subcommittee should propose statutory provisions that do not establish a minimum number of hours for participation in the student financial aid programs. Any such minimum number of hours would, of necessity, be an arbitrary threshold because it could not hope to reflect the disparate circumstances in varied industry sectors and occupations. Further, it could have the effect of causing institutions to simply increase hours of training in order to meet the arbitrary threshold.

Members of ACTS, and other truck driver training programs whose courses are certified by PTDIA, are training students at a level of instruction time that is appropriate to teach the minimum curriculum recommended by the Federal Highway Administration.

This curriculum is based on the minimum knowledge and skills necessary for a driver to enter the occupation of truck driving as a safe and responsible driver. If an institution chooses to satisfy these minimum requirements, it should not otherwise be subject to a minimum number of hours set by statute or U.S. Department of Education regulation; rather, it should be evaluated on the merits of the quality and utility of the education actually received by the students. Certification patterned after the PTDIA model provides a mechanism to allow so-called short term courses to be eligible for student financial assistance programs.

The Long-Term Advantages of Grants Over Loans Should be Recognized

ACTS also believes the Subcommittee should explore whether financial aid programs should rely more heavily on grants. Increasing the amount of Pell Grants in conjunction with expanded eligibility, for example, would ultimately lead to less reliance on loan programs. This would help avoid the problems and waste that have occurred in loan programs as described above with respect to lender/guarantee agency actions. It is also ACTS' understanding and belief that studies have shown that the federal government would actually save dollars by putting greater emphasis on grant versus loan programs.

* * *

ACTS appreciates the invitation of the Subcommittee to submit its recommendations on the reauthorization of the Higher Education Act of 1965, as amended. Reauthorization is important not only to the institutions that are members of ACTS, but also to those students who are unable to attend a four year institution and choose instead to better themselves through vocational training. By this letter, ACTS also requests the opportunity to present oral testimony before the Subcommittee in order to more fully explain its concerns and positions.

Sincerely,

Daniel J. Harrold

K. MICHAEL O'CONNELL
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Counsel to the Association of
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Enclosure

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CURRENT LAW	SUGGESTED AMENDMENT OR SUBSTITUTE	RATIONALE/EXPLANATION
§ 1070a. Basic educational opportunity grants: amount and determinations; applications		
(a) Program authority and method of distribution		
(1) The Secretary shall, during the period beginning July 1, 1972, and ending September 30, 1992, pay to each eligible institution such sums as may be necessary to pay to each eligible student (defined in accordance with section 1091 of this title) for each academic year during which that student is in attendance at an institution of higher education, as an undergraduate, a basic grant in the amount for which that student is eligible, as determined pursuant to paragraph (2). Not less than 85 percent of such sums shall be advanced to eligible institutions prior to the start of each payment period and shall be based upon an amount requested by the institution as needed to pay eligible students.	§ 1070(a)(1) is amended by adding to the end of paragraph (a)(1) the following: "Eligible institutions offering less than six months programs shall be eligible for grants hereinunder if otherwise deemed eligible either pursuant to § 1085 or § 1088."	Pell Grants are currently denied to schools whose programs are under six months long. This means students of many vocational and proprietary schools offering valuable training based on logical and relevant periods of time are denied financial aid which students attending mostly public and four-year schools are automatically allowed to receive. The change would recognize eligibility conferred by other statutory provisions even if a training program is less than six months long. As revised here these other statutory provisions provide an objective means to a qualify a less-than-six-month program. This would also prevent unjustified discrimination against certain schools and students.
(2) Nothing in this section shall be interpreted to prohibit the Secretary from paying directly to students, in advance of the beginning of the academic term, an amount for which they are eligible, in cases where the eligible institution elects not to participate in the disbursement system required by paragraph (1).		
(3) Basic grants made under this subpart shall be known as "Pell Grants." * * *		

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§ 1078. Federal payments to reduce student interest costs * * * **(b)(6) Secretary's equitable share** (A) For the purpose of paragraph (2)(D), the Secretary's equitable share of payments made by the borrower shall be that portion of the payments remaining after the guaranty agency with which the Secretary has an agreement under this subsection has deducted from such payments-- (i) a percentage amount equal to the complement of the reinsurance percentage in effect when payment under the guaranty agreement was made with respect to the loan; and (ii) an amount equal to 30 percent of such payments (subject to subparagraph (D) of this paragraph) for costs related to the student loan insurance program, including the administrative costs of collection of loans reimbursed under this subsection, the administrative costs of preclaims assistance for default prevention, the administrative costs of supplemental preclaims assistance for default prevention, and the administrative costs of monitoring		

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the enrollment and repayment status of students (as such terms are defined in subparagraph (b) or (C) of this paragraph).		
(j) Lenders-of-last-resort		
In each State, the guaranty agency or an eligible lender in the State described in section 1085(d)(1)(D) of this title shall make loans directly, or through an agreement with an eligible lender or lenders, to students eligible to receive interest benefits paid on their behalf under subsection (a) of this section who are otherwise unable to obtain loans under this part. Loans made under this subsection shall not exceed the amount of the need of the borrower, as determined under subsection (a)(2)(B) of this section, nor be less than $200. The guaranty agency shall consider the request of any eligible lender, as defined under section 1085(d)(1)(A) of this title, to serve as the lender-of-last-resort pursuant to this subsection.	§ 1078(j) is amended by adding to the end of the paragraph the following: "The eligible lender or guarantee agency shall not discriminate against eligible students or eligible institutions on the basis of the duration of the loan, the amount of the loan, the type of potential occupation of the borrower, or based upon the type of training provided by the eligible institution. The additional remedy of a private cause of action shall exist in order to aid in the enforcement of the lender-of-last-resort requirement."	This change could deter eligible lenders and guaranty agencies from discriminating against proprietary vocational schools or any other institutions. The change would allow private industry to assist the federal government through court action in enforcing the lender-of-last-resort requirements.

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§ 1078-1. Supplemental loans for students		
(a) Authority to borrow		
(1) Student eligibility		
Graduate and professional students (as defined by regulations of the Secretary) and undergraduate independent students shall be eligible to borrow funds under this section in amounts specified in subsection (b) of this section, and unless otherwise specified in subsections (c) and (d) of this section, loans under this section shall have the same terms, conditions, and benefits as all other loans made under this part. In addition, undergraduate dependent students shall be eligible to borrow funds under this section if the financial aid administrator determines, after review of the financial information submitted by the student and considering the debt burden of the student, that exceptional circumstances will likely preclude the student's parents from borrowing under section 1078-2 of this title for purposes of the expected family contribution and that the student's family is otherwise unable to provide such expected family contribution. If the financial aid administrator makes such a determination, appropriate documentation of such determination shall be maintained in the institution's records to support such	§ 1078-1(a)(1) is amended by adding to the end of paragraph (a)(1) the following: "However, a GED or high school diploma shall not be required if the student can be shown to have the ability-to-benefit from the training in accordance with the testing provisions of § 1091(d), or where the Secretary determines to otherwise waive the requirement of a GED, high school diploma or ability-to-benefit test pursuant to § 1091(e) [new section below], which permits institutions in particular industry sectors or occupations to adopt industry-developed criteria to measure a student's ability to benefit. Alternatively, the measures shall be waived where a pervasive federal regulatory scheme controls entry level training/job criteria."	This change would allow students without an GED or high school diploma to be eligible for SLS loans if they pass an ATB test. It would also allow any or all of the three measures not to be used in certain circumstances.

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determination. No student who is admitted on the basis of the ability to benefit from the education or training provided by the institution (as determined under section 1091(d) of this title) shall be eligible to borrow funds under this section until such student has obtained a certificate of high school equivalency or a high school diploma.		
(2) Institutional eligibility Funds may not be borrowed under this section by an undergraduate student who is enrolled at any institution during any fiscal year if the cohort default rate for such institution, for the most recent fiscal year for which such rates are available, equals or exceeds 30 percent. The Secretary shall notify institutions to which such restriction applies annually, and specify the fiscal year covered by the restriction. The Secretary shall afford any institution to which such restriction applies an opportunity to present evidence contesting the accuracy of the calculation of the cohort default rate for such institution.	§ 1078-1(a)(2) is amended by adding to end of paragraph (a)(2) the following: "The Secretary shall allow the institution to demonstrate why application of the eligibility exclusion due to a high default rate is inequitable. Factors to be considered by the Secretary in deciding whether to waive the ineligibility status include: (1) practices of the lender/guarantee agency which may have contributed to the level of defaults reported for the period in issue; (2) the types of students served by the institution and their need for the training involved; (3) the need of the industry sector in which the student seeks employment for the skills of such student; (4) local community or regional economic dislocations or conditions which warrant continuation of training; (5) the graduation rate of the institution involved; (6) the	This change would allow the Secretary to permit an institution to continue to be eligible even if its default rates appear to be too high. The specific factors to be considered are listed in order to give the Secretary guidance on the factors to be evaluated. The PTDIA certification model is included as one factor in order to encourage similar industry-sponsored initiatives to enhance the quality and utility of training.

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	placement rate of the institution involved; and (7) whether the quality and utility of the institution's courses and curricula are independently certified by a non-profit, industry sector-recognized body which prohibits financial contributions from institutions seeking certification."	
§ 1085. Definitions for student loan insurance program As used in this part: **(a) Eligible institution** **(1) In general** Subject to subsection (n), the term "eligible institution means: (A) an institution of higher education; (b) a vocational school; or (c) with respect to students who are nationals of the United States, an institution outside the United States which is comparable to an institution of higher education or to a vocational school and which has been approved by the Secretary for the purpose of this part, except that such term does not include any such institution or school which employs or uses commissioned salesmen to promote the availability of any loan program described		

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in section 1078(a)(1), 1978-1, or 1078-2 of this title at that institution or school. **(2) Foreign medical schools** For the purpose of qualifying an institution under paragraph (1)(C) of this subsection, the Secretary shall establish criteria by regulations. In the case of a graduate medical school outside the United States, such criteria shall include a requirement that a student attending a medical school is ineligible for loans made, insured, or guaranteed under this part unless at least 60 percent of the students enrolled in such school are nationals of the country in which the school is located. A school that is unable to meet that criteria may establish the eligibility of its students for such loans if the United States nationals attending such school achieve a pass rate on the examinations administered by the Educational Commission for Foreign Medical Graduates that is (A) not less than 45 percent for students taking such examination in the first and second years after October 17, 1986; and (B) not less than 50 percent for students taking such examination in any subsequent year.		

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(3) Ineligibility based on high default rates		
(A) An institution whose cohort default rate is equal to or greater than the threshold percentage specified in subparagraph (B) for each of the three most recent fiscal years for which data are available shall not be eligible to participate in a program under this part for the fiscal year for which the determination is made and for the two succeeding fiscal years, unless, within 30 days of receiving notification from the Secretary of the loss of eligibility under this paragraph, the institution appeals the loss of its eligibility to the Secretary. The Secretary shall issue a decision on any such appeal within 45 days after its submission. Such decision may permit the institution to continue to participate in a program under this part if–	§ 1085 (a)(3)(A)(ii) is amended by adding to paragraph (A)(ii) the following: "The Secretary shall allow the institution to demonstrate why application of the eligibility exclusion is inequitable. Factors to be considered by the Secretary in deciding whether to waive the ineligibility status include: (1) practices of the lender/guarantee agency which may have contributed to the level of defaults reported for the period in issue; (2) the types of students served by the institution and their need for the training involved; (3) the need of the industry sector in which the student seeks employment for the skills of such student; (4) local community or regional economic dislocations or conditions which warrant continuation of training; (5) the graduation rate of the institution involved; (6) the placement rate of the institution involved; and (7) whether the quality and utility of the institution's courses and curricula are independently certified by a non-profit, industry sector-recognized body which prohibits financial contributions from institutions seeking certification."	This change would allow the Secretary to permit an institution to continue to be eligible even if its default rates appear to be too high. The specific factors to be considered are listed in order to give the Secretary guidance on the factors to be evaluated. The PTDIA certification model is included as one factor in order to encourage similar industry-sponsored initiatives to enhance the quality and utility of training.
(i) the institution demonstrates to the satisfaction of the Secretary that the Secretary's calculation of its cohort default rate is not accurate, and that recalculation would reduce its cohort default rate for any of the three fiscal years below the threshold percentage specified in subparagraph (B); or		

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(ii) there are, in the judgment of the Secretary, exceptional mitigating circumstances that would make the application of this paragraph inequitable.		
During such appeal, the Secretary may permit the institution to continue to participate in a program under this part.		
(B) For purposes of determinations under subparagraph (A), the threshold percentage is--		
(i) 35 percent for fiscal year 1991 and 1992; and		
(ii) 30 percent for any succeeding fiscal year.		
(C) Until July 1, 1994, this paragraph shall not apply to any institution that is-- (i) a part B institution within the meaning of section 1061(2) of this title;	§ 1085 (a)(3)(C) is replaced as follows: "(C) Until July 1, 1994, this paragraph shall not apply to any eligible institution."	This change restores the equal treatment of all institutions for the purpose of § 1085(a)(3). Otherwise the provision would undoubtedly be subject to a successful legal challenge because the provision would discriminate against similar types of students who choose to attend different kinds of educational institutions without sufficient justification.
(ii) a tribally controlled community college within the meaning of section 1801(a)(4) of Title 25, or		
(iii) a Navajo Community College under the Navajo Community College Act.		

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(d) Eligible lender		
(1) In general		
Except as provided in paragraphs (2) through (5), the term "eligible lender" means (A) a National or State chartered bank, a mutual savings bank, a savings and loan association, a stock savings bank, a trust company, or a credit union which (i) is subject to examination and supervision by an agency of the United States or of the State in which its principal place of operation is established, and (ii) does not have as its primary consumer credit function the making or holding of loans made to students under this part unless (I) it is a bank which is wholly owned by a State, (II) it is a single wholly owned subsidiary of a bank holding company which does not have as its primary consumer credit function the making or holding of loans made to students under this part, or (III) it is a trust company which makes student loans as a trustee pursuant to an express trust and which operated as a lender under this part prior to January 1, 1981;	§ 1085(d)(1) is amended by adding to paragraph (d)(1)(A) a new subparagraph as follows: "(iii) does not have an affiliated loan servicing and/or collection entity which handles the loans made to students under this part;"	This change would eliminate the inherent conflict of interest when a lender/guarantee agency has an affiliated servicing/collection entity by prohibiting such affiliations.

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(B) a pension fund as defined in the Employee Retirement Income Security Act [29 U.S.C.A. § 1001 et seq.]; * * *		
(f) Due diligence The term "due diligence" requires the utilization by a lender, in the servicing and collection of loans insured under this part, of collection practices at least as extensive and forceful as those generally practiced by financial institutions for the collection of consumer loans. * * *	§ 1085(f) is amended by adding to the end of the paragraph the following: "The lender shall not discriminate in its servicing and collection of loans based upon the duration of the loan, the amount of the loan, the potential occupation of the borrower, or upon the type of training provided by the eligible institution. An additional remedy of a private cause of action shall exist to enforce the due diligence requirement."	This change would address the failure of lender/guarantee agencies to pursue due diligence in servicing and collecting loans they consider to be not worth their time. A private cause of action is permitted to allow private industry to help the government to enforce the due diligence requirement.
(l) Default Except as provided in subsection (m) the term "default" includes only such defaults as have existed for (1) 180 days in the case of a loan which is repayable in monthly installments, or (2) 240 days in the case of a loan which is repayable in less frequent installments. * * *	§ 1085(l) is amended by adding to the end of the paragraph the following: "The term "default" shall not include loans where the defaults are the result of lender/guarantee agency failures to exercise due diligence, misconduct, or mismanagement in their servicing/collection of loans either in specific cases or generally for certain categories of loans (such as loans of short duration, small loan amounts, selected occupations, or selected training institutions)."	This change makes clear that eligible educational/training institutions will not be penalized for high default rates which result from misconduct or mismanagement by lenders/guarantee agencies. This would address the problem created by HEAF's demise in particular.

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(m) Cohort default rate The term "cohort default rate" means, for any fiscal year in which 30 or more current and former students at the institution enter repayment on loans under section 1087 or 1087-1 received for attendance at the institution, the percentage of those current and former students who enter repayment on such loans received for attendance at that institution in that fiscal year who default before the end of the following fiscal year. In determining the number of students who default before the end of such fiscal year, the Secretary shall include only years for which, the Secretary or guaranty agency has paid claims for insurance, and, in calculating the cohort default rate, exclude any loans which, due to improper servicing or collection, would result in an inaccurate or incomplete calculation of the cohort default rate. For any fiscal year in which less than 30 of the institution's current and former students enter repayment, the term "cohort default rate" means the average of the rate calculated under the preceding sentence for the 3 most recent fiscal years. In the case of a student who has attended and borrowed at more than one school, the student (and his or her subsequent repayment or default) is attributed to each school for attendance at which the student	§ 1085(m) is amended by adding to the end of paragraph (m) the following: "The cohort default rate, however, shall not preclude an institution from eligibility pursuant to the controlling provisions of § 1078-1(a)(2) [as revised] and § 1085(a)(3)(A)(ii) [as revised]."	This change recognizes other proposed statutory changes.

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received a loan that entered repayment in the fiscal year. A loan on which a payment is made by the school, its owner, agent, contractor, employee, or any other entity or individual affiliated with such school, in order to avoid default by the borrower, is considered as in default for purposes of this subsection. Any loan which has been rehabilitated before the end of such following fiscal year is not considered as in default for purposes of this subsection. The Secretary shall prescribe regulations designed to prevent an institution from evading the application to that institution of a default rate determination under this subsection through the use of such measures as branching, consolidation, change of ownership or control, or any similar devise. **(a) Impact of loss of accreditation** * * *		

SUBCHAPTER IV -- STUDENT ASSISTANCE

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§ 1087.2 Student Loan Marketing Association * * * (q) **Lender of last resort** (1) **Action at request of Secretary** (A) Whenever the Secretary determines that eligible borrowers in a State not served by a guaranty agency or an eligible lender in a State described in section 1085(d)(1)(D) or (F) of this title are seeking and are unable to obtain loans under this part, the Association or its designated agent may begin making loans in accordance with this subsection at the request of the Secretary. The Association shall give preference to such States in making loans under this subsection. (B) Loans made pursuant to this subsection shall be insurable by the Secretary under section 1079 of this title with a certificate of comprehensive insurance coverage provided for under section 1079(b)(1) of this title.	§ 1087.2(q)(1)(A) is amended as follows by striking the phrase "the Association or its designated agency may begin" and substitution therefor the phrase "the Association or its designated agent shall begin."	This change would underscore the "safety net" protection if all other lender-of-last-resort protections fail.
(2) **Issuance and coverage of loans** (A) Whenever the Secretary, after consultation with, and with the	§ 1087.2(q)(2)(A) is amended as follows by striking the phrase "designated agent may" and substituting therefor the phrase "designated agent shall."	This change would underscore the "safety net" protection if all other lender-of-last-resort protections fail.

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agreement of, representatives of the guaranty agency in a State, or an eligible lender in a State described in Section 1085(d)(1)(D) of this title, determines that a substantial portion of eligible borrowers in such State or within an area of such State are seeking and are unable to obtain loans under this part, the Association or its designated agent may begin making loans in accordance with this subsection at the request of the Secretary. (B) Loans made pursuant to this subsection shall be insurable by the agency identified in subparagraph (A) having an agreement pursuant to section 1078(b) of this title. For loans insured by such agency, the agency shall provide the Association with a certificate of comprehensive insurance coverage, if the Association and the agency have mutually agreed upon a means to determine that the agency has not already guaranteed a loan under this part to a student which would cause a subsequent loan made by the Association to be in violation of any provision under this part. * * *		

SUBCHAPTER IV -- STUDENT ASSISTANCE

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PART F--GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE PROGRAMS

§ 1088. Definitions

(a) Institution of higher education

(1) Subject to subsection (e), for the purposes of this subchapter and part C of subchapter I of chapter 34 of title 42, except subpart 6 of part A and part B of this subchapter, the term "institution of higher education" includes, in addition to the institutions covered by the definition contained in section 1141(a) of this title

(A) a proprietary institution of higher education;

(B) a postsecondary vocational institution;

(C) a department, division, or other administrative unit in a college or university which provides primarily or exclusively an accredited program of education in professional nursing and allied subjects leading to the degree of bachelor of nursing, or to an equivalent degree, or to a graduate degree in nursing; and

(D) a department, division, or other administrative unit in a junior college, community college, college, or

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university which provides primarily or exclusively an accredited 2-year program of education in professional nursing and allied subjects leading to an associate degree in nursing or to an equivalent degree. (2) The term "accredited" when applied to any program of nurse education means a program accredited by a recognized body or bodies approved for such purpose by the Secretary. (3) Whenever the Secretary determines eligibility under paragraph (1), the Secretary shall not recognize the accreditation of any eligible institution of higher education under this subsection if the institution of higher education is in the process of receiving a new accreditation or changing accrediting agency or association unless the eligible institution submits to the Secretary all materials relating to the prior accreditation, including materials demonstrating reasonable cause for changing the accrediting agency or association.		
(b) Proprietary institution of higher education For the purpose of this section, the term "proprietary institution of higher education" means a school (1) which	§ 1088(b) is amended by adding to the end of clause (b)(1) the following: ", unless a less-than-6-month program of training is determined by the Secretary to meet the certification requirements of an independent, not-for-profit industry sector-	This change would allow the Secretary to approve the eligibility of institutions for student financial assistance if the institution can demonstrate its shorter term training is of high quality and utility. The specific model of PTDIA certification is proposed

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provides not less than a 6-month program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1) and (2) of section 1141(a) of this title, (3) which does not meet the requirement of clause (4) of section 1141(a) of this title, (4) which is accredited by a nationally recognized accrediting agency or association approved by the Secretary for this purpose, and (5) which has been in existence for at least 2 years. Such term also includes a proprietary educational institution in any State which, in lieu of the requirement in clause (1) of section 1141(a) of this title, admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit (as determined by the institution under section 1091(d) of this title) from the training offered by the institution. For the purposes of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered. The Secretary shall not promulgate regulations defining the admissions procedures or remediation programs that must be used by an institution in admitting students on the basis of their ability to benefit from	recognized body that certifies the quality and utility of the courses and curricula provided by the institution and which does not accept financial contributions from the institution seeking certification."	as a means to guide the Secretary's decision.
	§ 1088(b) is amended by substituting for the phrase "(as determined by the institution under Section 1091(d) of this title)" the phrase "(as determined by the institution under sections 1091(d) and (e) [as added herein] of this title)."	This change maintains the consistency of changes in §§ 1078-1 and 1091 to allow for greater flexibility in the application of high school diploma, GED or ATB requirements.

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the training offered and shall not, as a condition of recognition under section 413(e) of this Act, impose upon any accrediting body or bodies standards which are different or more restrictive than the standards provided in this subsection. **(c) Postsecondary vocational institution** For the purpose of this section, the term "postsecondary vocational institution" means a school (1) which provides not less than a 6-month program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1), (2), (4), and (5) of section 1141(a) of this title, and (3) which has been in existence for at least 2 years. Such term also includes an educational institution in any State which, in lieu of the requirement in clause (1) of section 1141(a) of this title, admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit (as determined by the institution under section 1091(d) of this title) from the training offered by the institution.		

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(d) Academic year

For the purpose of any program under this subchapter and part C of subchapter I of chapter 34 of title 42, the term "academic year" shall be defined by the Secretary by regulation.

* * *

§ 1091. Student eligibility

(a) In general

In order to receive any grant, loan, or work assistance under this subchapter and part C of subchapter I of chapter 34 of title 42, a student must--

(1) be enrolled or accepted for enrollment in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 1094 of this title, except as provided in subsections (b)(3) and (b)(4) of this section;

(2) if the student is presently enrolled at an institution, be maintaining satisfactory progress in the course of study the student is pursuing in accordance with

CURRENT LAW	SUGGESTED AMENDMENT OR SUBSTITUTE	RATIONALE/EXPLANATION
the provisions of subsection (c) of this section; (3) not owe a refund on grants previously received at any institution under this subchapter and part C of subchapter I of chapter 34 of title 42, or be in default on any loan from a student loan fund at any institution provided for in part D of this subchapter, or a loan made, insured, or guaranteed by the Secretary under this subchapter and part C of subchapter I of chapter 34 of title 42 for attendance at any institution;		
• • •		
(d) Ability to benefit In order for a student who is admitted on the basis of ability to benefit from the education or training offered for any grant, loan, or work assistance under this title, the student shall, prior to enrollment, pass an independently administered examination approved by the Secretary.	§ 1091 is amended by adding a new section "(e"), and redesignating existing sections (e) to (j) to be "(f) to (k)" accordingly. New § 1091(e) reads: **"(e) Waiver of Diploma, GED and Ability-to-Benefit ("ATB") Test Requirements** The Secretary shall exempt institutions in particular industry sectors or occupations from high school diploma, GED and ATB test requirements if the institution can make a showing that such measures are not necessary for the purposes of the training and/or job occupation involved. In making the decision the Secretary shall recognize industry-developed criteria which	This change would allow students without a GED or high school diploma to be eligible for financial assistance if they pass an ATB test. It would also allow any or all of the three measures not to be used in certain circumstances.

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	will measure a student's ability to benefit. The Secretary shall also waive the requirements where a pervasive federal regulatory scheme controls entry level training/job criteria."	

Mr. **Andrews**. With the gracious consent of the ranking minority member of the subcommittee, we will yield first to Mr. Roemer, because I understand that he has some other pressing business.

I would also note that the lights go on and off during your questions, which is interesting. So we await your questions.

Mr. **Roemer**. That is the power of the University of Notre Dame, Mr. Chairman.

First of all, thank you very much, gentlemen, for the testimony, which has been helpful and insightful in many ways. I come from a family of five children as you know, Father Malloy. I am still paying on a scholarship loan from the Federal Government. I am very worried about what the administration's proposal might do to middle-income people in the United States.

The administration's proposal would eliminate 400,000 working middle-class families from the Pell Grant program. It deeply concerns me.

I would like to ask your opinion, Father, on how this might affect Notre Dame. Maybe you could give us some examples of how many people at Notre Dame do benefit from these programs.

Father **Malloy**. We have about 75 percent of our undergraduate students who receive significant financial aid. I suppose if I were to look at the issue in the broadest possible way, it seems to me that the great strength of American higher education is that it is not an elitist system; that it has diversity which has come primarily system-wide rather than from a cookie-cutter demand for each individual institution. The three people testifying here would be an example of the diversity of the system that is being provided today. It is also diverse in the sense that we have been a system that has not simply been publicly sustained, but also privately. We are in danger of losing that part of the diversity. Notre Dame is a religiously affiliated school. That is a whole range of institutions within the broader umbrella. But there are all-female institutions. There are schools which have a very specific student body that they serve. There are broad-based State-wide systems, community colleges, junior colleges, whatever.

It seems to me that we are at-risk of losing that diversity, either by focussing all of the money on the most at-risk part of the population and therefore, disqualifying the middle class from an opportunity for education, particularly on the private side. The other part of it is that the delivery—that is, the delivery per cost is approximately the same on both the public and the private comparable sorts of institutions. To look at real costs, which have to be paid from funding of some sort, is to recognize that by cutting back or restricting access of the programs like the Pell Grants, we are in danger of losing the richness of our diversity and therefore, our competitiveness internationally and the quality of life internally of the Nation.

Mr. **Roemer**. To follow up on that, Father, in your testimony, you use words like circumstances of many families require a more comprehensive approach to determining financial ability. That's a quote. "It makes more common sense," and that's a quote.

In working with your financial aid office, can you elaborate a little bit more on eligibility and what changes you would like to see in the system to improve it, streamline it, and make it more efficient?

Father **Malloy**. One of our difficulties is that for families that have multiple children in college and sometimes combinations of children in grade school, high school and college on the private side, they are carrying, because of our constitutional interpretation that has prevailed, a very heavy burden family-wise. On the other hand, they are extremely committed to providing the home environment and the encouragement for quality participation in education all the way through. It seems to me that often those families are being penalized. I think that is a disservice not only to them, but also to the potential pool that could participate with deep commitment in the educational system of the country.

I have a great concern about that part of the pool. I mean obviously there is a whole range of needs that the Higher Education Act is trying to address, but I would not like that particular category of need to be forgotten.

Mr. **Roemer**. You also mention on page 4 of your statement that you encourage greater access to and greater diversity in higher education. I know that you elaborated a little bit on both those aspects. Perhaps you could elaborate for the committee's sake on what specifically Notre Dame has been involved in with respect to encouraging its students to get involved in local concerns in the community through volunteering and in national and international concerns. I know that there are different legislative proposals in Congress which would require national service on the part of college students.

What are some of the things that Notre Dame has done in this area? Is Notre Dame also looking at possibly having this be a requirement for graduation?

Father **Malloy**. I think the proper answer is that Notre Dame is just one instance of a tremendous surge, a response on the part of higher education as a whole. Campus Compact is a very effective presidential level organization trying to promote volunteerism on American college campuses. COOL is a student-based organization trying to achieve the same goals. Some of us in higher education are also serving on the Points of Light initiative. Some money has been made available to promote volunteerism, not only on college but high school and grade school campuses, and of course, across the other component parts of the American population.

We have internally tried to structure that by setting aside a building, putting programming money together and trying to encourage our student population to get involved in the local community and in the national and international community, particularly in the summer.

But I think we are just one example of what is going on very characteristically today in higher education. I think that is the wave of the future, as well as it ought to be.

Mr. **Roemer**. Thank you, Father Malloy. I will defer to my colleagues for questions here.

Thank you, Mr. Chairman.

Mr. Coleman, thank you again for deferring. I appreciate that.

Mr. **Andrews**. Thank you, Mr. Roemer.

We have a vote in 15 minutes. Mr. Coleman, what is your preference?

Mr. THOMAS COLEMAN. Just very briefly, Mr. Chairman. I will thank all the witnesses for their testimony which will help me this thing along.

Father Malloy, we have had a number of discussions and will continue to do so on all the issues you raised. You make some very good points, but I want to make sure that I understand your opposition to frontloading, which Chairman Ford has mentioned.

If you care to elaborate a little bit on your opposition to frontloading with Pell Grants and putting off loans to the second, third, and fourth year?

Father MALLOY. Notre Dame is a school that graduates 93 percent of its people in 4 years that is entering freshmen. That is a particular kind of admission that is only possible because of a certain standard of admission, but that's our goal. If we say to students, "Come for 2 years and this money will be available; but after that, you are on your own," it appears that we only want them for 2 years. We try to provide an internal climate, as many of our peer institutions do, that encourage people to finish on schedule and to use the money available for that purpose. To suggest that 2 years is a cut-off point would, we think, be counter-productive to the kind of mission and goal that we have as an institution.

Mr. THOMAS COLEMAN. Thank you.

Mr. Barton, you were associated with a school in Alabama as well as the current ones in Puerto Rico?

Mr. BARTON. Right.

Mr. THOMAS COLEMAN. What, if anything, do you find unique or different about Puerto Rico's experience in this area of education?

Mr. BARTON. I would say the major difference between the student populations is that the students in Puerto Rico have, what I think of, as more European view of education. The students who don't qualify to get into, say, the University of Puerto Rico, there is no community college system in Puerto Rico. They all come out with the idea that they have to enroll and get more education. The whole society is more oriented towards education. The culture, I believe, is different stateside. The students in Alabama who are not candidates to go to Bear Brian's school or Badii's school, don't come to see us on their own until 25 or 26, and they have had unpleasant experiences in trying to get jobs, hold jobs or to move up into the—advance into the workforce and the work community.

Mr. THOMAS COLEMAN. One of the things we are looking at is reforms for the integrity part of these programs, including those which we have attached to the loan programs in the past, or maybe for the future, the Pell Grants as well. And we want both of you representing the proprietary sector here to know, that that would impact your areas immensely. You should be prepared to address those important integrity reforms as we continue to work on the committee. I think that we have seen the dreams of funds through the loan side, but the educational experience and the outputs aren't any different whether you are getting loans or grants. We don't want to put grants into a system that is not creating a good quality product either.

Mr. **Barton**. I would agree with that. I would suggest any number of increase of surveillance or supervision by the Department or audit requirements that the committee would come up with. I think by the majority of the vocational and technical schools in the proprietary sector would welcome that.

Mr. **Thomas Coleman**. Thank you, Mr. Coleman.

Gentlemen, we very much appreciate the testimony you have given us this morning.

Father Malloy said very eloquently that the strength of the American system of higher education is its diversity. I can't think of a panel that would more richly illustrate that diversity than the one we've had here today. It nicely presents the challenge to this committee. We really see our mission under Chairman Ford's leadership as extending the reach and scope of that diversity through a fair and well-financed Pell Grant program and other programs, while at the same time, creating rules and standards that make the programs as efficient as possible.

In some of the issues we heard about this morning regarding whether or not tests are a valid and viable measure of achievement, can expedited application procedures be a better way of dealing with that? I suppose that our task in these hearings has been to try to adjudicate the proper balance between the preservation and promotion of that diversity and the introduction of new efficiencies and standards that attempt make sure that the money flows where it is supposed to flow.

Each of you has made a substantial contribution to that effort. We thank you. We invite you to continue to correspond and communicate with this committee as we go about our work.

With that, we will adjourn the hearing.

Thank you very much.

[Whereupon, at 12:19 p.m., the hearing was concluded to reconvene at the call of the Chair.]

[Additional material submitted for the record follows.]

6/5/

Ms. Gayle Elliott
689 East 6th Street
Chico, CA 95928

June 11, 1991

Submitted as Written Testimony for Subcommittee on Post-Secondary Education

Re: Entrance examinations for non-high school graduates who wish to enroll at community colleges

Please submit at next Hearing on Post-Secondary Education

Committee on Education and Labor
2451 Rayburn Building
Washington, D.C. 20515

Formal Statement:

As an educator, I am concerned that the Bush administration is seeking to require entrance examinations for non-high school graduates who seek to enroll in two-year colleges. I strongly believe that this should be reconsidered.

I have a Master's Degree in English and teach in the English Department at California State University, Chico; I have also taught at the community college level. I teach courses in basic reading and writing, advanced composition, critical thinking, and creative writing; I also teach in the Honors Program. I'm a published fiction writer, as well; this year, one of my short stories was nominated for a Pushcart Prize. (I will be entering a doctoral program in creative writing at the University of Wisconsin in the fall.)

I mention my position and professional achievements because I'm convinced I may, by so doing, be granted a measure of credibility; my interest in the community college system is professional, certainly, but personal, as well. I am a living example of one who benefited from the second chance afforded students of the two-year college system. I would like to share something of my personal history to illustrate the importance of continuing to allow incoming students to enter college without imposing upon them a qualifying test.

I was a high achiever throughout elementary and junior high school, frequently making the Honor Roll, often with straight-A report cards. In addition, I served on the student council and participated in many extracurricular activities, from horseback riding to Girl Scouts to the local swim team. I tested as "gifted" in IQ tests and was in the "accelerated" (gifted) program in seventh grade. I also was consistently in the high 90's (97-98-99) percentile in achievement rankings.

My teenage years, however, were fraught with turmoil. My father was an alcoholic, and my family struggled with a disease about which little was then known. (Familiar phrases such as "enabler" and "co-dependent" had yet to be introduced by self-help writers and talk show hosts; in 1965, alcoholism was rarely mentioned aloud, and certainly not by "nice" people who lived in pleasant neighborhoods and held down good jobs!) Still, the ravages of this disease--and its many side effects--eventually destroyed our family, culminating in a messy and distressing divorce.

It's difficult to explain how all this affected me as a student and a young woman in development. One can only study my academic record and wonder aloud: *Good grief, what happened to this kid?* For following the divorce, my mother uprooted the family and moved us out to California. I missed my home, school and friends; the A's dropped to C's, even D's, and my academic standing plummeted. (This is difficult for me to admit, for it's something I have kept rather carefully "hidden" until now, and I share this only because I believe that doing so might help someone else. confused and quite unhappy with family life, I dropped out of high school my senior year and failed to graduate with the rest of my class.)

My father has now, with the help of Alcoholics Anonymous, recovered; he hasn't had a drink in seventeen years. I must tell you, though, that when he *was* still drinking, he subjected my sisters and me to almost constant belittling. I remember, in particular, a family dinner at Howard Johnson's. He pointed to the waitress and predicted, loudly, that the most I could ever hope for from life might be to follow in *her* shoes. At the time, I was treasurer of the Honor Society at Sunrise Junior High School in Fort

Lauderdale, Florida, but this didn't affect his assessment: *You won't amount to much,* he proclaimed, motioning to me and then to my sisters.

How do such words affect an adolescent? My two sisters seem to have believed him; their lives have been lived as if their father's prophecy was made only to be fulfilled. I was able to somehow rise above it. The difference between us? **I went to college**.

I share this very personal story because it's essential that, before you make a decision about qualifying examinations for community college students, you must first recognize the many forces which shape the human mind and spirit, the many unseen influences which affect the heart and intellect. I'm convinced the record now shows that I was an intelligent, perhaps even *remarkable* student, and yet I was unable, for a time, to bear up under the grief and stress of a family in conflict.

However, when I was able to move away from home and take stock of my life, when I was able to make my own choices, I answered the inner prompting of a voice that demanded attention: *express yourself.*

But I didn't know how. I thought I had somehow "blown it"; I was convinced that, without a high school diploma, I was lost, barred from higher education, that it was, in short, already too late. **When I discovered that I could enter a community college with no prerequisites, it was a revelation, like a message from heaven:** ***you are saved!***

I speak now for those unable to speak for themselves. I speak for human potential, for the resiliency of the human spirit, for the capacity of the individual to grow and to change. This is the best of America, this opportunity for reclaiming what has been lost, for starting over again and--at any point along life's journey--for aspiring to a better life.

I was afforded a second chance and am now a contributing member of the academic community. (My Freshman composition students have even tutored students in the public schools, strengthening their own writing skills by helping others.) Can our society reach its potential if we allow others--who might someday be valuable community members--to fall by the wayside simply because of a testing requirement?

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Students should be allowed entry into community colleges without a qualifying entrance test.

Why? Because many adults who have spent time away from the classroom are filled with apprehension and self-doubt. Many are burdened with an overwhelming sense of failure, and, most often, they feel that the failure's all theirs, whether or not this has indeed been the case. There's little accusation from such students; very few believe that *education* has failed *them*, though this may, at least in some instances, indeed be the case. (A student whose learning disability went for years undiagnosed has been failed by the school system that passes him along without ever identifying the problem.) But some students fail to achieve in high school for other reasons: for lack of encouragement in the home, because they were impeded by economic or social circumstances; even (and perhaps less compellingly) because they allowed extra curricular activities or their social lives to distract them! Many have faced more brutal challenges: family violence, alcoholism or drug abuse, even sexual molestation.

Societal willingness to give such students a second chance at education is one of the things that distinguishes the American educational system from others, and a measure, I think, of our great regard for equality. It is essential that we continue to open wide the door to higher education; to allow even one student to be turned away because of entrance tests would be, at best, short-sighted, and at worst, unfair.

So what's the matter with an entrance test that would determine a student's eligibility for entering college?

I'm convinced that what might seem a simple entrance requirement to a well-educated person might very well seem to a student about to "re-enter" the educational system as an impossibly high hurdle to overcome.

One learns to see oneself differently only very slowly, one success leads eventually to the next. I honestly don't know if I'd have passed an entry test, and certainly, my fear of failure might have kept me from taking it. But that I "tuned out" in high school, that I had, for a time, lost my ability to trust in myself and to keep up with my studies, was no reflection whatsoever upon my inherent intelligence or ability. And once back in the classroom, I soon discovered that I was an eager and avid learner.

There's no need for the community college system to impose upon new students a qualifying test; as a university teacher, I can assure you that students who lack commitment or ability will fall by the wayside soon enough! But tests do little to calculate creativity or talent, and nothing whatsoever to measure resolve. Pre-screening prospective students with a qualifying exam is not worth the risk of losing even a single student who might become a fulfilled, contributing member of society, not worth sacrificing even one such student to a life lived below his or her potential.

I cannot fathom what would have become of me had I not been able to acquire an education. It is more to me than the means by which I earn my bread; it is my life. I am married to a tenured professor and playwright; we are both writers and teachers.

My contributions would have been lost had such a test been required when I returned to community college. Impossible as it may now seem, I probably would have been afraid to take it. (Once a student, though, I won scholarships and awards for my high grades.)

Isn't it right and just that I was given a second chance in life by an educational system committed to fairness? Would it be right to turn away others who might also have this same potential? If a person wants to improve her circumstances, shouldn't she be given every proper aid?

Retain the right of all Americans to improve their circumstances through education any time they themselves have the commitment to try!

Sincerely,

Gayle Elliott

Gayle Elliott

Office of
the President
University of
Puerto Rico

August 20, 1991

Honorable William D. Ford
Chairman
U.S. House of Representatives
Committee on Education and Labor
2451 Rayburn House Office Bldg.
Washington, DC 20515

Dear Congressman Ford:

I would like to inform you the University of Puerto Rico position for the record of the hearings you are conducting in relative to the reauthorization of the Higher Education Act of 1965.

The University of Puerto Rico is by far the largest and most important higher education institution on the island. The University, founded in 1903, is a state-supported system comprising eleven campuses and academic units located throughout the island, with programs ranging from the associate degree level to the doctoral level. Its fundamental mission is to provide education of the highest quality, through a broad range of educational opportunities for the Puerto Rican people, particularly for those with scarce economic resources, and also non-Puerto Rican students that qualify for admission at the University of Puerto Rico. As of 1990-91, the University had an enrollment of 53,000 students.

In accomplishing its mission, the University has required the assistance of the Federal government, particularly to provide students with the financial assistance they need to pursue their educational goals. Federal funding has also been fundamental for institutional development in key areas of academic priorities. Given the national educational goals of achieving "first place" in the world by the year 2000, it is of utmost importance to continue and further strengthen this support.

Steadfast in its commitment to provide access to low-income students, the University has sought to increase its institutional budget while maintaining low tuition fees. Yet the impact of inflation and rising costs of education have undermined the potency of the current levels of financial aid and threatens to further curtail the access of low income students to postsecondary education.

[redacted]

UPO Box
4984 G
San Juan
Puerto Rico [illegible]
[illegible]

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During academic year 1989-90 the cost of education at the University was $3,138, and the average federal financial assistance award was $1,890. That year, a total of 34,787 students were eligible for financial aid and 70% of these came from families with incomes below $12,000. Included you will find a breakdown of eligible applicants for financial aid at the University during 1989-90. Also included is information on the amounts of financial aid awarded that year by source of funding. Without the combined financial aid programs now available to students, the majority of students would not be able to pursue postsecondary studies.

As President of the University, I urge the Committee you preside in the review of the reauthorization of the Higher Education Act, ammended in 1986, to further strengthen the benefits contained in the provisions of the Act, particularly the Title IV Student Aid Programs, in order to secure and continue improving the University's contribution to the education of the future workforce required to maintain the nation's economic vitality.

In order to assure that all eligible students receive the necessary benefits of financial aid to complete their postsecondary education, I urge you to take into account the following recommendations in your considerations on the reauthorization of the Higher Education Act:

- to strengthen financial aid programs in order to provide assistance to students from low-income families as well as those from middle income families;

- to allow Pell Grant participants to receive additional benefits from the program up to an equivalent of 25% of the length of the course of study in order to complete their degrees;

- to ensure that the Pell Grant covers 60% of educational cost regardless of the institutional cost of attendance;

- to provide a waiver of the required family contribution for all students whose family income is under the poverty level index;

- to authorize universities with default rates under 10% to administrate Stafford Loans the same way as Perkins Loans.

In closing, I congratulate you for your efforts and commitment in securing the benefits of financial assistance for postsecondary education. Again, I request that our recommendations be included in the records of the hearings on the Act.

Cordially,

José M. Saldaña, DMD, MPH
President

iaa

Enclosure

UNIVERSITY OF PUERTO RICO

Annual Income of Students and their Families

INFORMATION ON ELIGIBLE AID APPLICATIONS FOR AWARD YEAR 1989-90

Taxable & Nontaxable Income	Dependent & Independent Undergraduate Students	Graduate or Professional Students
$ 0 - $ 2,999	8,884	72
3,000 - 5,999	6,225	75
6,000 - 8,999	4,937	58
9,000 - 11,999	3,834	64
12,000 - 14,999	3,672	50
15,000 - 17,999	2,143	35
18,000 - 20,999	1,753	14
21,000 - 23,999	1,202	9
24,000 - 26,999	845	4
27,000 - 29,999	313	0
30,000 - 32,999	188	2
33,000 - 35,999	125	1
36,000 - 38,999	54	0
39,000 - 41,999	63	0
42,000 & Over	31	0
45,000 & Over	94	0
	34,404	384

UNIVERSITY OF PUERTO RICO
FINANCIAL AID PROGRAMS BY SOURCE OF FUNDING
FOR AWARD YEAR 1989-90

	Financial Program	Amount
Federal	Pell Grant	$ 45,311,441
	Supplemental Educational Opportunity Grant	$ 1,787,283
	College Work	$ 3,646,015
	Perkins Loan	$ 420,919
	State Student Incentive Grant	$ 496,159
Institutional	Legislative Scholarship	$ 6,345,000 (awarded) 6,013,365 (paid)
	PASI (Institutional Supplemental Aid Program)	$ 2,749,587
	Other (Tuition waivers)	$ 2,782,681
Federally Guaranteed Stafford Loans		$ 7,631,827